

Christian Democrat Gets 68% of Guatemalan Vote

Compiled by Our Staff From Dispatches

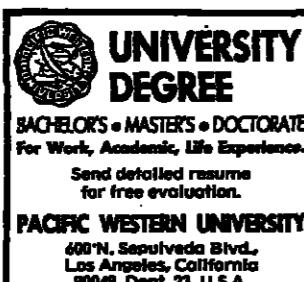
GUATEMALA CITY — Mario Víctor Cerezo, a Christian Democrat, has won a landslide victory in Guatemala's runoff presidential election. His victory comes after more than 30 years of virtually uninterrupted military rule of this Central American country.

Mr. Cerezo, 42, said that with his election his country had "brought the era of stolen elections and coups."

The Supreme Electoral Tribunal said Monday that final results from Sunday's election showed Mr. Cerezo, a lawyer, with 1,133,517 votes, or 68.3 percent. His sole opponent, Jorge Carpio Nicolle, a newspaper publisher who was the candidate of the center-right Union of the National Center, won 524,306 votes, or 31.7 percent.

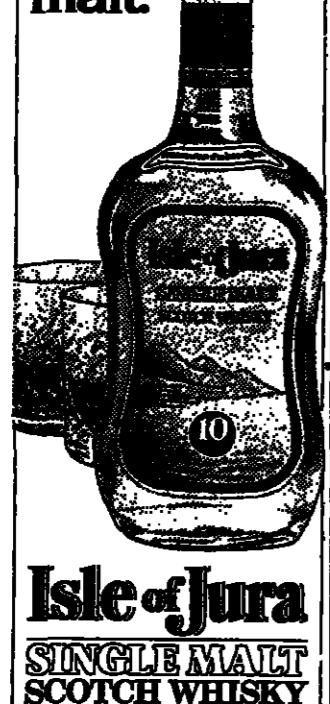
Mr. Carpio, 53, conceded defeat at his party's headquarters, saying: "We recognize this electoral triumph." He said his party would adopt the role of a "constructive and watchful" opposition.

The two men finished first and second in the first-round election Nov. 3, in which eight candidates competed. No one received a majority, forcing Sunday's runoff.



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This photograph showing Andrei D. Sakharov and his wife, Yelena G. Bonner, was part of a videotape given to representatives of a West German newspaper in Moscow. The film, believed to have been taken with a hidden camera, purportedly shows the Sakharovs in good health, shopping at a food market in Gorki and discussing the recent summit meeting in Geneva.

Sakharov Doing Well, Russians Insist

They Say He Is Not in Exile, Enjoys Privileges in Gorki

Reuters

MOSCOW — Soviet officials defended on Monday the treatment of Andrei D. Sakharov, the dissident scientist, saying that he was not in exile but was living a comfortable life in Gorki.

Two senior legal officials answered questions about Mr. Sakharov at a news conference held by the Foreign Ministry to mark World Human Rights Day.

"Academician Sakharov is not in exile," said Samuel L. Zivs, vice president of the Association of Soviet Jurists. "He lives in the large industrial city of Gorki, which could be compared with Detroit or Cleveland."

Gorki is a "closed" city, which means that it cannot be visited by foreigners. Mr. Zivs said that Mr. Sakharov received his academic salary, enjoyed various privileges and was allowed to publish articles.

Despite the attention paid abroad to the role of the military here, the new president's major test may be to revive the economy. Mr. Cerezo has promised an "emergency economic program" aimed first at stabilizing the currency. But the business sector is likely to resist tax increases considered necessary to reduce the government's budget deficit.

(AP, WP, Reuters)

Mr. Sakharov was exiled to Gorki in 1980 after criticizing the Soviet intervention in Afghanistan. His wife, Yelena G. Bonner, was sent there in 1984. Gorki is 250 miles (400 kilometers) east of Moscow.

Last week, Mrs. Bonner was allowed to leave the Soviet Union for medical treatment in the West, after her husband had staged a hunger strike.

Bild Zeitung, a West German newspaper, said Monday it had received a videotape from a Soviet source purportedly showing that Mr. Sakharov was in good health.

Mr. Zivs said Mr. Sakharov had been ordered sent to Gorki because of his knowledge of nuclear secrets.

Alexander Sakharev, the head of Gorki, a "closed" city, which means that it cannot be visited by foreigners. Mr. Zivs said that Mr. Sakharov was one of the few Soviet scientists who "encourage confrontation" between nations. Mr. Sakharov, he said, was guilty of some of his knowledge of nuclear secrets.

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Study Sees Tight Budget Hurting U.S. Defenses Soon

By Richard Halloran

New York Times Service
WASHINGTON — Constraints on Pentagon spending for the next five years may reduce the conventional military capabilities of the United States by one quarter to one third, according to a new analysis by Georgetown University's Center for Strategic and International Studies.

The study, carried out over the past year by a group of retired senior military officers and civilian specialists on military matters, contends that "the United States may have reached a crossroads in determining the future quality and quantity of its military capabilities."

The researchers saw two different consequences for nuclear forces that would come from capsing the growth in military spending. One would be to reduce readiness, a term that includes training, ammunition stocks, fuel and other supplies. The other would be to cut forces, currently at 2.2 million in uniform and 1 million civilians in support positions.

"The more likely tendency, should defense spending be constrained, will be to retain force structure and decrease readiness," the study says. The consequence, it says, would be "a hollow force" with "reduced operational capability."

This capability reflects four factors: the size of the force, the quality of its training, its ability to sustain battle in the field, and the modernity of its weaponry.

Measuring some of these factors relies on judgment rather than mathematical certainty, although a criterion such as the quality of training can be estimated by testing the troops.

The researchers assumed that military spending would rise not more than 1.5 percent a year in addition to an increase for inflation. "Barring a major foreign policy crisis or a Soviet blunder," the study says, "defense spending over the next several years could be limited to little or no real annual growth."

The military budget for the fiscal year 1986 has not passed Congress. The Senate version provides an increase for inflation over the 1985 level, while the House version holds military spending to its 1985 level, with no allowances for inflation.

In the face of the \$20-billion budget deficit currently projected, few members of Congress will vote for the sort of steady rises in military spending that occurred over the past five years, a period in which spending went up about 50 percent on top of inflation.

At the same time, the Georgetown center's study says, large sums will be needed to finance the Reagan administration's plan to modernize nuclear forces and to develop a high-technology shield against Soviet missiles.

In addition, the pool of young men and women of military age will continue to shrink into the 1990s, the study says, making it harder to recruit for the service. If military pay lags behind that in civilian life, recruiting would become even more difficult.

Carbon's Quiet Revolution: Fibers Strengthen Tools, Trucks, Tennis Rackets

By Malcolm W. Browne
New York Times Service

NEW YORK — Carbon may smudge our collars with soot, but it also powers the world with coal, lubricates industry's bearings with graphite and, in one of its purest forms, adorns bridges with diamonds.

And now, it seems, carbon is succeeding stone, bronze and iron as the pre-eminent stuff of man's implements and weapons.

The transition has been gradual.

A few decades ago, few people would have guessed that airplanes, trucks, high-speed flywheels, deep-diving ocean submersibles, missiles, tennis rackets and much more would one day be made of carbon filaments thinner than human hairs.

The infant technology that in 1979 enabled a man's unaided leg muscles to power a full-sized airplane, the Gossamer Albatross, across the English Channel has spread far and wide, promising to change the very character of "heavy" industry.

Some cases in point: Ford Motor Co. is making 10,000 vans equipped with drive shafts made from carbon and glass fiber. Buyers may have to pay premium prices, but the new drive shafts are said to

be stronger, 50 percent lighter and more resistant to corrosion and wear than their steel counterparts.

Meanwhile, Boeing Co. is under contract to replace the aging metal graphite and, in one of its purest forms, adorns bridges with diamonds.

The day may not be very far off when metal products, from cars to cranes, begin to join the mechanical adding machine and the electronic vacuum tube in the museums of obsolete technology.

warfare planes with wings of carbon fiber. The material also is going into parts for F-16 and F-18 fighters, Boeing 757 and 767 airframes and many other planes.

According to Hercules Aerospace Co., the largest producer of carbon fiber, U.S. output of the material, now nearly three million pounds (1.4 million kilograms) a year, is growing by about 25 percent annually, thanks in large part to burgeoning orders from the makers of aircraft, missiles and space vehicles.

One of the pioneering uses of carbon fiber has been in sports equipment. Those who can afford top-of-the-line gear buy skis, tennis rackets, golf clubs, bicycles and

ic field awarding degrees in "materials science."

Areans though the technical details may be, the underlying principle of fiber technology is at least as old as the fasces, the Roman symbol of authority: a bundle of wooden rods bound together for collective strength.

Progress in carbon-fiber technology may seem rapid now, but a century has passed since the invention that opened the way.

In the mid-1880s, scientists in Europe discovered a practical way to liquefy, spin and harden cellulose, which is derived from wood, into a strong, continuous filament.

As a result, known as rayon, was the first commercially useful synthetic fiber. Chemists had earlier developed a family of polymers called synthetic polyether resins, or epoxies, in which carbon, oxygen and several other elements are strung together in interlocking structures like chain-link fences. Strong in themselves, epoxies provided an excel-

lent base for many kinds of reinforcing fibers — glass fibers at first, and later fibers of carbon, boron, sapphire and various polymers and ceramics.

But it was only two decades ago that rayon emerged from the clothing mills and took to the air. In 1968 an F-5 fighter became the first aircraft to fly on carbon fiber; its metal wing tips had been replaced by a light and strong carbon-fiber composite material partly made from rayon.

The trick that made that flight possible involved the roasting of rayon fiber at a very high temperature in the absence of oxygen. This heat treatment, called pyrolysis, served to drive away some of the atoms making up the rayon molecule, leaving only the molecule's long spine of nearly pure carbon.

If left unsupported, the spine was brittle and stiff. But when embedded in a polymer, it endowed the resulting material with immense strength.

Polymers, some of which are the main ingredients of plastics, consist of long molecular chains of identical links, each of which is usually some simple carbon compound.

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lent base for many kinds of reinforcing fibers — glass fibers at first, and later fibers of carbon, boron, sapphire and various polymers and ceramics.

One disadvantage in making things out of carbon fiber is that the techniques require skilled labor and are therefore expensive. The price of carbon fiber varies from about \$18 to \$50 a pound, depending on its use.

Whether the fibers used to rein-

force a machine part are laid collectively in the form of tape or wound as single filaments, they must be carefully aligned to counter the stresses the part will have to withstand.

The accurate positioning of hundreds of thousands of individual filaments within a part is difficult but essential, and up to now much of this work has been under human control.

Computer-controlled robots

have begun to take over, however,

and some of the latest machines

can precisely wind filaments

around even the most complex

curves and stress points.

Carbon probably will never sup-

plant metal as the bone and sinew of man's implements. But the day may not be very far off when metal products, from cars to cranes, begin to join the mechanical adding machine and the electronic vacuum tube in the museums of obsolete technology.



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Experimental Cancer Treatment Kills U.S. Patient

By Philip M. Boffey

New York Times Service

WASHINGTON — A new experimental cancer treatment that generated widespread publicity and enthusiasm when it was announced last week has killed one of the patients receiving it, the National Cancer Institute's chief of surgery said.

The death occurred weeks before the announcement last Wednesday that the new treatment, involving use of a natural substance, interleukin-2, to stimulate the body's immune system against cancer, had achieved promising results in 11 of the first 25 patients treated.

Although all those receiving the drug were in the advanced stages of cancer, the patient who died was not one of those first 25 and thus was not mentioned in the initial scientific report and news release concerning the new treatment, according to Dr. Steven A. Rosenberg.



Dr. Steven A. Rosenberg

head of the research team that has developed the new therapy.

He spoke in a telephone interview after his revelation Sunday.

morning, on a television interview program, that one patient had died from the new treatment. His remarks on that program made the toxic side effects from the new therapy seem potentially more severe than most early reports had indicated.

However, the occurrence of toxic side effects does not mean that the new therapy will be of no value. All of the major cancer treatments currently in wide use, including surgery, radiation and potent drugs, have adverse side effects that harm some patients.

The four-page news release on the new interleukin-2 treatment devoted only one paragraph to side effects. It mentioned "transient chills and fever, and, more significantly, fluid retention that caused substantial weight gain in 16 of the first 25 patients" and "mild breathing difficulties in 20 patients." The adverse side effects, the news release said, disappeared promptly in all 25 patients when the treatment stopped.

On Sunday, Dr. Rosenberg used stronger language in describing the toxicity to television viewers. He said that "the side effects could be quite severe." Some patients gain up to 20 or 30 pounds (about nine to 14 kilograms) of fluid in the first two or three weeks of therapy, he said, and that can lead to shortness of breath and dysfunction of the kidneys and liver.

Subsequent to the first group of 25 patients, he added, the doctors have "even seen one death due to the treatment itself." He called this "a death that can be attributed to the treatment."

The patient who died was suffering from melanoma, a lethal form of skin cancer that had spread widely throughout the body, reaching the lung, kidneys, liver, lymph nodes and "almost every organ," Dr. Rosenberg said.

Dr. Rosenberg said he thinks that the patient probably died from a combination of the side effects of the therapy and the advanced state of his cancer.

But he called it "hard to pin-point" the cause of death. "You start with a lot of toxicity due to cancer," the doctor said, "and it's pretty hard to distinguish what is due to treatment and what is due to the cancer."

The U.S. investigating team, headed by the State Department's legal adviser, Abraham D. Sofaer, probably would arrive in Israel on Tuesday and begin their interviews on Wednesday, the sources said.

U.S. Paper Halts Publication

United Press International

ST. LOUIS, Missouri — The St. Louis Globe-Democrat has suspended publication indefinitely following a decision by a federal bankruptcy court to appoint a trustee to manage the finances of the newspaper.

Mr. Arens, a former operations chief of Israel's external intelligence service, Mossad, reportedly was the senior Israeli official involved in recruiting Mr. Pollard.

Mr. Arens refused to answer reporters' questions upon his return



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U.S. Is Divided on How to Press Marcos

By David B. Ottaway
Washington Post Service

WASHINGTON — The U.S. government, after months of surprising unanimity in pressuring President Ferdinand E. Marcos to reform, finds itself increasingly divided over what actions — including proposed cuts in military aid to the Philippines — are needed to give bite to the U.S. bark.

The policy dilemma came to a head last week with the reinstatement Dec. 2 of General Fabian C. Ver as chief of the Philippine armed forces and a subsequent move by the U.S. House of Representatives to cut military aid to Manila from the \$100 million requested by the Reagan administration to \$25 million.

General Ver and 24 other military men along with one civilian were acquitted of involvement in the 1983 murder of Benigno S. Aquino Jr., the opposition leader, despite considerable evidence of their complicity.

The return of General Ver, a Marcos confidant, to his post at the head of the Philippine military appeared to dash U.S. hopes for serious reforms and further strained Mr. Marcos's relations with the United States.

The policy test now confronting the Reagan administration appears

to foreshadow a more serious battle if Mr. Marcos wins the Feb. 7 presidential election. Many officials here think that a re-elected Mr. Marcos could make things uncomfortable for the White House by demanding continued U.S. support as compensation for having heeded Washington's request for Philip-

pine elections.

In the past year, there has been a remarkable consensus in the administration and Congress about pressuring Mr. Marcos with tough public rhetoric and visits by presidential emissaries, including Senator Paul Laxalt, a Nevada Republican, to make economic and political reforms.

But there are signs that this consensus is about to unravel over the issue of whether the United States should use its considerable economic and military aid as leverage.

The Defense Department opposes such a course as being contrary to American interests in reducing the spread of the Philippine Communist insurgency.

The Senate is likely to approve this week \$70 million of the administration's \$100-million military aid request. Because the House last week clashed the request by 75 percent, a House-Senate conference will seek a compromise. It appears certain that the final figure will be far less than the original adminis-

tration

request

and will cause im-

mediate

contention

between Ma-

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and Washi-

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Representative Stephen J. Solarz, the chairman of the House Asian and Pacific subcommittee, originally proposed the aid cut to \$25 million. Mr. Solarz, a Democrat of New York, says he thinks that such punitive action is demanded by General Ver's reinstatement and evidence in an unpublished General Accounting Office report that the Marcos government had wasted more than \$100 million in U.S. military aid.

The U.S. dilemma is complicated not only by the Communist insurgency but by the importance to the Pentagon of Clark Air Base and Subic Bay Naval Base in the Philippines, the two largest U.S. defense installations abroad.

■ Ver May Be Retired

President Marcos said Monday that General Ver may be retired before the Feb. 7 election, but added that General Ver had requested that "he finish his mission before he goes." The Associated Press reported from Manila.

Mr. Marcos said in an interview with the Japanese television network NHK that General Ver, along with the major service commanders of the armed forces and 29 other generals, had indicated a willingness to be retired, a palace news release said.

In addition to a \$900-million,

five-year package of economic and military aid tied to the U.S.-Philippines base agreement, Washington this year is providing \$38 million in development assistance and \$50 million in food aid to the Philippines.

A Senate staff report dated Oct. 31 cited General Ver as an example of the conundrum facing Washington. General Ver, the report said, is a strong anti-Communist "who sees himself as a proven friend of the United States."

But he also has been Mr. Marcos's "major instrument" in politicizing the Philippine armed forces and making "loyalty to the president rather than professional competence" the criterion for promotion, the report said.

■ Ver May Be Retired

President Marcos said Monday that General Ver may be retired before the Feb. 7 election, but added that General Ver had requested that "he finish his mission before he goes." The Associated Press reported from Manila.

Mr. Marcos said in an interview with the Japanese television network NHK that General Ver, along with the major service commanders of the armed forces and 29 other generals, had indicated a willingness to be retired, a palace news release said.



The Philippine information minister, Gregorio Cendana, sorting through posters with campaign workers for President Ferdinand E. Marcos. A convention of the ruling New Society Movement party is scheduled to begin Wednesday.

Laurel Files in Manila, Says Marcos Can Be Beat

By William Branigan
Washington Post Service

MANILA — The opposition leader, Salvador H. Laurel, filed a formal certificate of candidacy Monday to run for president and said there would be "no more backing out" in favor of a rival challenger, Corazon C. Aquino.

The development occurred as President Ferdinand E. Marcos pondered a list of seven potential running mates for his own re-election bid. According to presidential palace sources, Mr. Marcos's wife, Imelda, has been promoting her own candidacy behind the scenes despite denials that she seeks the vice presidency.

However, the sources said, she is not among those being considered by Mr. Marcos as his ruling New Society Movement party prepares to hold a convention Wednesday to proclaim his formal candidacy for re-election to a fourth term.

Mr. Laurel became the first major opposition figure officially to enter the presidential race when he went Monday to the Commission on Elections to file his candidacy.

"It's now final," he said as he completed the formalities. "There is no more backing out. From now on it's all systems go for Unido."

He referred to his political party, the United Nationalist Democratic Organization.

Mr. Laurel's move increased the prospect that the fractious opposition would field two candidates against Mr. Marcos. But Mr. Laurel predicted he could still win, though he conceded that it would be "much harder" than if the opposition fielded a single ticket.

"I am not fazed by the fact there may be two opposition candidates," he said. "He predicted that Mr. Marcos would get only 20 percent of the vote, leaving 80 percent for the opposition."

Mr. Laurel said he thought Mr. Marcos would let the election "go through if he believes he can cheat to win. If not, he may find a way to cancel the election." The vote is set for Feb. 7, more than a year before Mr. Marcos's term expires.

Some opposition figures are playing into Mr. Marcos's hands with his apparent determination to fulfill a long-held ambition and run for president.

"He just committed political suicide," said an opposition legislator, Homobono Adaza.

"I don't think he has any chance. He's just deluding himself."

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Mubarak Asserts PLO Must Have Peace Process Role

By Michael Getler
and Christopher Dickey
Washington Post Service

CAIRO — President Hosni Mubarak has strongly endorsed the need for a major role by the Palestine Liberation Organization in the Middle East peace process and criticized the United States for attempting to weaken it.

The PLO is the sole representative of the Palestinians, whether we like it or not," the Egyptian leader said Sunday.

"You in America can't understand, really, what we mean," he said of his motives for backing the PLO chairman, Yasser Arafat.

"Trying to solve the problem and at the same time trying to ignore the PLO — this will never lead to a comprehensive peace," he added.

In an interview, Mr. Mubarak said that U.S. attempts to water down Palestinian representation on a joint Jordanian-Palestinian negotiating team had gone too far and wasted more than six months in a crucial period when "time is slipping away."

"That's why we should do something in the very near future so as to

keep the momentum of the peace process going," Mr. Mubarak warned. "Otherwise we are going to lose everything."

He praised what he called the "flexibility" of Prime Minister Shimon Peres of Israel and suggested that all that now blocked a possible meeting between the two countries was a border dispute over a small piece of land at Taba on the Gulf of Aqaba.

Other issues that have contributed to the "cold peace" between the two countries now are largely resolved, Mr. Mubarak said.

The withdrawal of Israeli troops from Lebanon "is nearly finished," Mr. Mubarak said, adding that "Peres has shown very good flexibility" in attempting to improve the quality of life in the occupied territories. "He is doing his best, really. The only thing is Taba."

In his first interview with a U.S. news organization since the hijacking of an EgyptAir jetliner to Malta last month, and the assault by Egyptian commandos that ultimately cost the lives of 58 persons, Mr. Mubarak touched on a wide range of issues related to that

ter, and to his complex but close relationship with the United States.

He said he had "very strong suspicions" that the Libyan leader, Colonel Muammar Qaddafi, was behind the hijacking, and confirmed that there had been a state of alert and a reinforcement of air bases near the Libyan border. But he ruled out any main-force attack on Libya.

"I'm not going to punish the Libyan people because of such an incident by a single man, Qaddafi," Mr. Mubarak said. "I'll never do it. I'm a man of peace. I have nothing against the Libyan people."

He defended his decision to release the EgyptAir jet to Malta, saying, "We used force when we found no way out."

"I thought initially that there would be a dialogue" with the hijackers, Mr. Mubarak said.

He denied reports that the explosive charges used by the commandos to enter the plane were responsible for the fire and smoke that killed most of its occupants.

Mr. Mubarak said that U.S. indignation at the way he handled the negotiations to end the hijacking of

the Achille Lauro cruise ship in October played no part in his decision to attack the plane in Malta.

He had incurred American wrath in the first case for allegedly being soft on terrorism when he attempted to hand the hijackers over to the PLO for trial.

At one point he said of the hijacking of the EgyptAir plane: "If Egypt didn't use force, and the hijackers were killing the people, you would accuse Egypt. When we use force, still you are accusing Egypt. It's all very strange, really."

Mr. Mubarak also denied that a joint appearance with Mr. Arafat last month to issue a "Cairo Declaration" was an attempt by him to embrace the PLO leader in the hope of recapturing wider standing for Egypt within the Arab world.

"That's an unfair comment," he said.

In the declaration, Mr. Arafat renounced terrorism and pledged not to carry out attacks outside the occupied territories.

He denied reports that the explosive charges used by the commandos to enter the plane were responsible for the fire and smoke that killed most of its occupants.

Mr. Mubarak said that other sensitive points in ties with Washington, including the seizure by U.S. Navy jets of an Egyptian plane carrying the Achille Lauro hijackers, have been largely put behind them.

He said the two countries had "good cooperation" in dealing with terrorism. Mr. Mubarak said members of the U.S. Delta Force commando team "were ready to help, of course," but the Egyptians did not ask for such assistance.

Israel Frees 2 Jews in Shrine Plot

By Thomas L. Friedman
New York Times Service

JERUSALEM — President Chaim Herzog of Israel has commuted the prison sentences of two members of the Jewish terrorist underground who had been convicted of plotting to blow up one of Islam's holiest shrines, his office said.

The communists were announced Sunday as the Knesset prepared to debate a proposal by a group of religious parties to pardon the 17 Jewish extremists still serving prison terms for crimes ranging from murdering Arab schoolboys to illegally transporting weapons.

The bill was scheduled to receive a first hearing on Monday, and Prime Minister Shimon Peres was expected to come under heavy pressure from the religious parties

whose backing is critical for his political future — to support it.

The prisoners freed by Mr. Herzog are Dorei, 41, and Yosef Tzur, 26, who were serving three-year terms for involvement in a plot to blow up the Dome of the Rock. The building is situated on the Temple Mount in the Old City of Jerusalem. It was built around an outcropping of bedrock from which Moslems believe that the prophet Mohammed ascended into heaven.

According to the court, the extremists' plan was to blow up the Islamic holy place to provoke the Moslem world into a cataclysmic holy war with Israel that would force the Messiah to intervene.

Five other members of the Jewish terrorist group, most of whom were sentenced last July 21, have completed their prison terms.

Three of those still in prison are serving life sentences for murder, while others are serving from seven years to only a few months for lesser crimes. Proponents of amnesty for all the extremists argue that the men have expressed their regret and that the Jews killing of Arabs was a response to the killing of Jews by Arabs.

Political commentators speculated that Mr. Herzog might be commuting the sentences of some of the more insignificant members of the

Catholicism "as a mere institutional structure, devoid of its mystery."

Since those who are called liberal in some ways agree with the conservative critique on many points, these passages might not seem too high a price to pay for a firm endorsement of Vatican II.

Moreover, if the synod was a demonstration of diversity, its members seemed to be trying hard to move toward some consensus, to avoid debilitating divisions.

That consensus is contained in a final report that at times seems to shift within two sentences from one tendency in the debate to the other.

For example, it praises pluralism, but warns against forms of pluralism that move "to dissolution and destruction" and can lead "to a loss of identity." It praises the good work of theologians, but warns that some theological discussions "have brought about confusion among the Christian faithful."

On the thorny questions raised by the theology of liberation, it declares that "the church must in a prophetic way denounce all forms of poverty and oppression." But it notes that the church cannot separate its concern about injustices in this world from its overriding spiritual goals that relate to the next world.

The document clearly criticizes "a partial and selective reading" of Vatican II and a "superficial interpretation of its doctrine."

And it includes a passage that goes to the heart of conservative arguments about the church, criticizing those who would see

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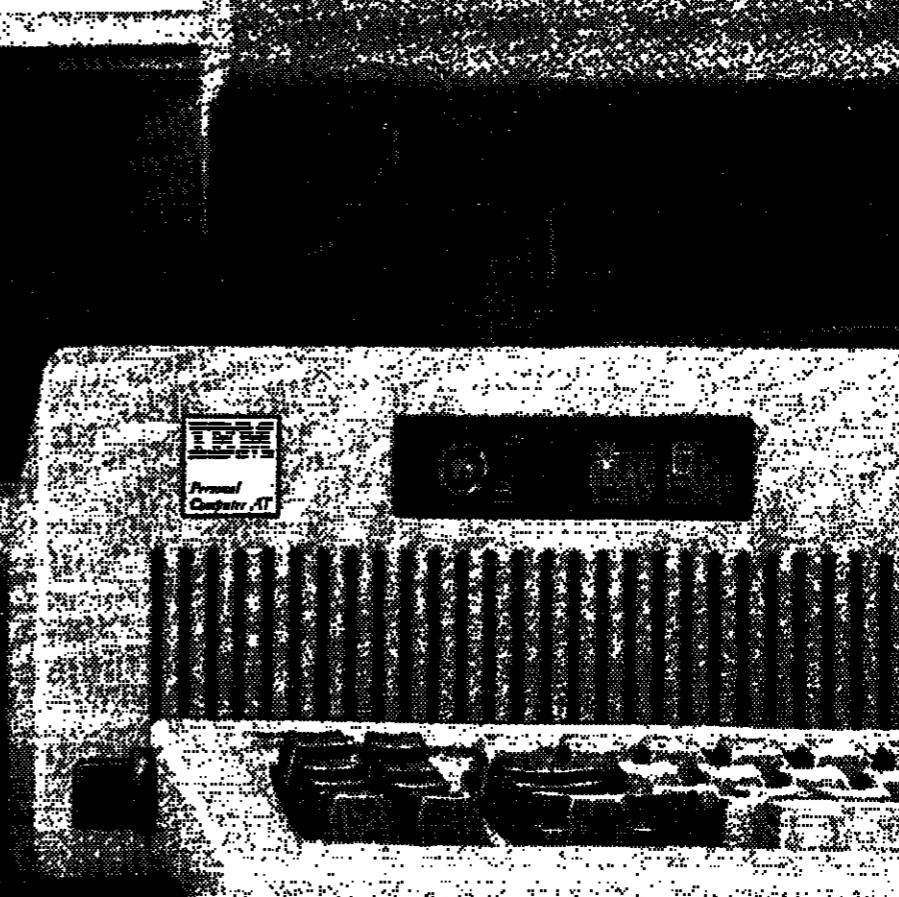
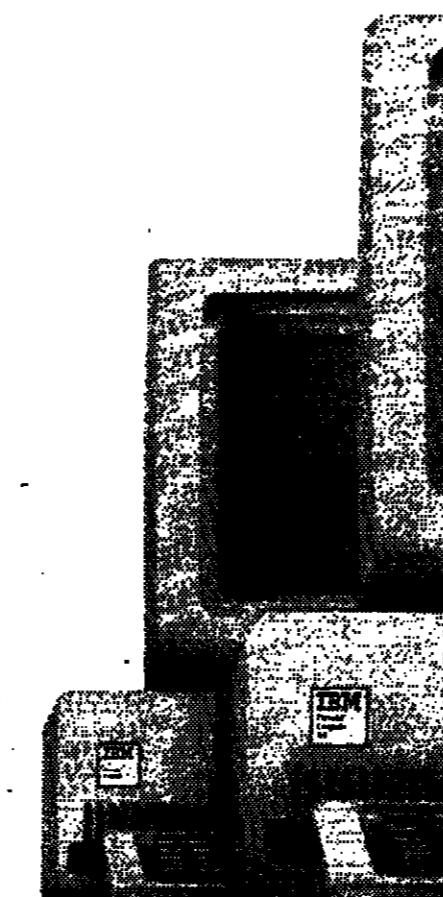
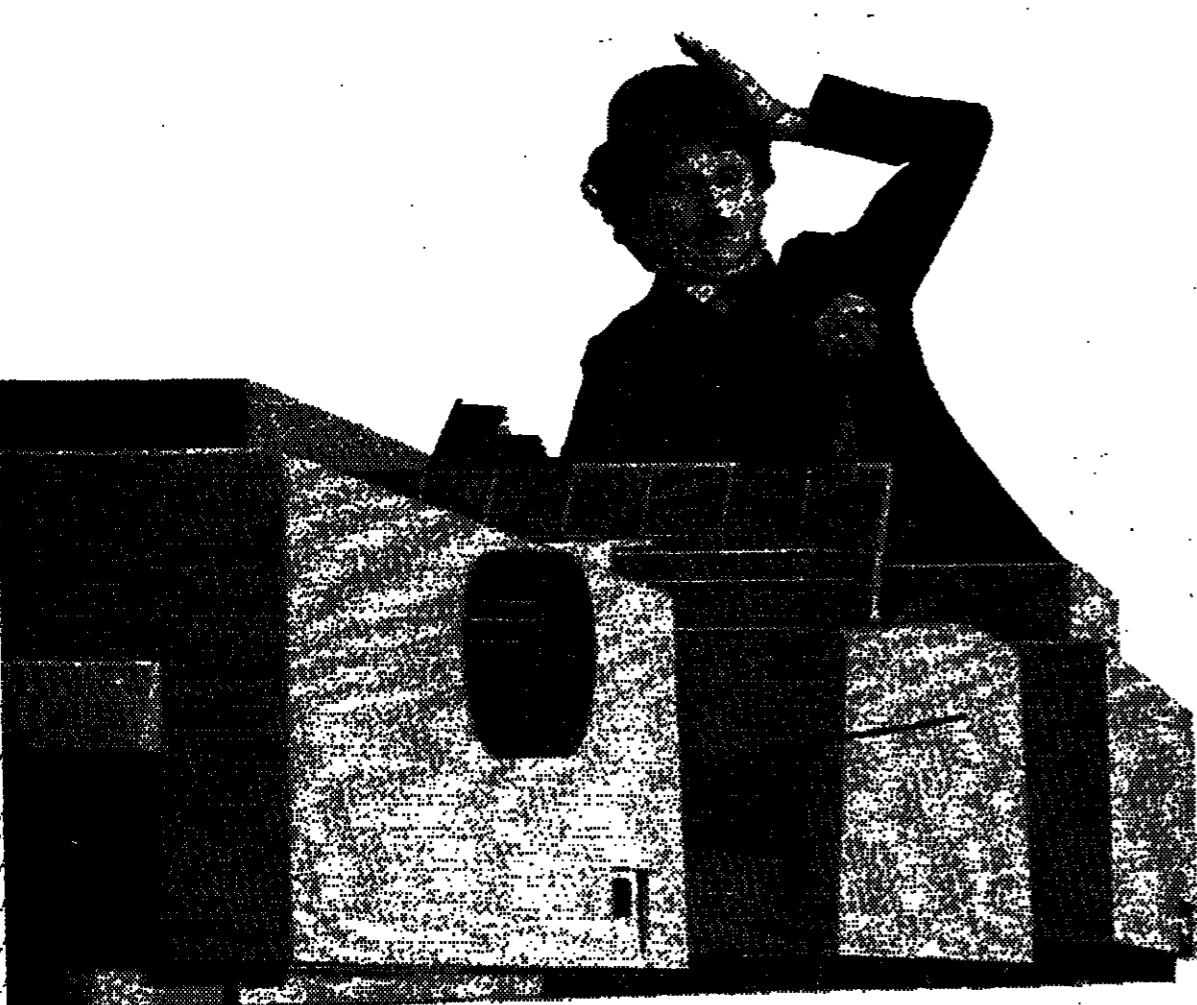
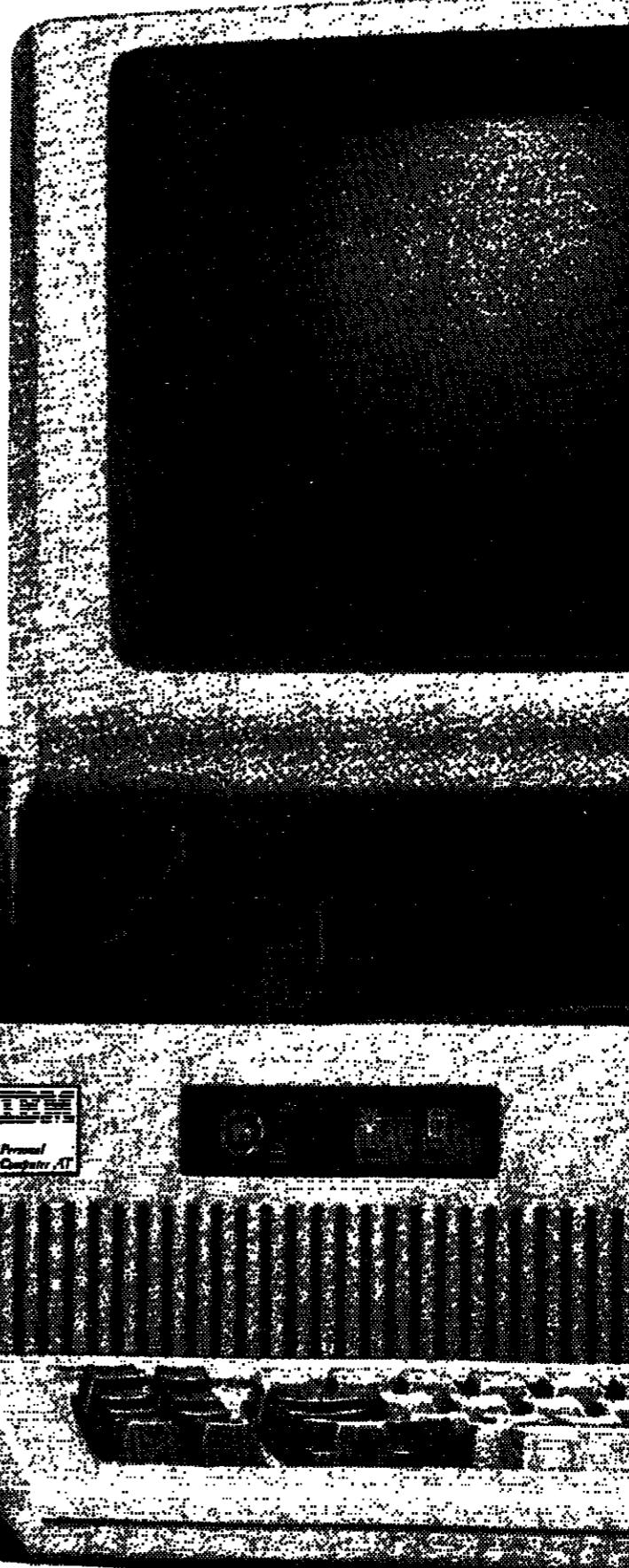
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INTERNATIONAL HERALD TRIBUNE

Published With The New York Times and The Washington Post

The Business of Norms

In 1952 the American Psychiatric Association first published a manual classifying and describing mental disorders. It has since been revised and updated a number of times, and a new edition is now being prepared. In the case of most medical problems, scientists can readily agree on the nature of the symptoms and the effect the disorder is producing. But psychiatrists have a more difficult time accumulating data that are specific, and they regularly disagree over whether a given set of symptoms is even a mental illness. Homosexuality, for example, has at various times been classified as a disorder and as normal behavior. Alcoholism has been viewed as a physical illness and a behavioral disorder. Clearly something quite different from scientific analysis has gone into the making of these various judgments.

The APA manual is published for use by medical professionals, but the classifications have come to have important social implications. Once a set of symptoms is recognized by the profession as a mental illness, persons exhibiting the symptoms can often claim insurance benefits, invoke civil rights protections and even offer the illness as a defense in criminal cases. Public opinion shifts gradually

to accommodate these designations and to tolerate behavior once thought unacceptable.

In the course of the current revision of the manual, three new designations have become particularly controversial. In an early draft, the manual included mental disorders for rapist behavior, self-defeating personality and a form of premenstrual syndrome. Many psychiatrists objected to these new designations. Accused rapists, they warned, would claim excruciating illness; abused wives who are victims of crime would be treated as if their own disorders had provoked abuse; women would be stigmatized if premenstrual symptoms were treated as mental rather than physical disorders. Revisions are still under way.

Psychiatrists play a critical role in our complex society not only because they treat the ill but because, in many cases, they define the norms. It is important that in their concern for the sick they be mindful of society's need to reinforce moral codes, to hold people responsible — in most cases — for their behavior and to provide protection against those who hurt others, acknowledge no rights but their own and destroy the peace of the community.

— THE WASHINGTON POST.

Enough Sugar Madness

Quotas that limit sugar imports have had the effect of tripling the price of sugar for American consumers. This protectionism is backfiring on U.S. growers because the main consumers, commercial buyers, are switching to cheaper corn sweeteners. So the sugar lobby has pressed Congress for even tighter quotas that would further raise supermarket bills and impoverish efficient sugar exporters in Latin America. Only a House-Senate conference committee can stop this madness.

U.S. production is concentrated in a few states where it is a dominant economic interest. Their congressmen know it and the growers in Hawaii, Louisiana and Florida usually get what they want despite the opposition of consumers, refiners and the State Department.

Under the current four-year-old program, the government must maintain the domestic price at 18 cents a pound. Since that is far above the world price of 6 cents, country-by-country quotas must be used to prevent a flood of imports that would force Washington to buy up the domestic surplus. Quotas are adjusted periodically to keep the domestic price at about 21 cents — just enough above the 18-

Now the growers have struck back. They bartered their support for the Senate Republicans' farm bill for a provision that prohibits the U.S. government from buying surplus sugar. If that provision stands, the administration would be forced to slash the import quotas to drive the price back up to at least 21 cents. That would rock Latin American economies and add \$600 million to food prices at home. It is a costly treat Congress should not swallow.

— THE NEW YORK TIMES.

Other Opinion

Booby Work on the Borders

On a visit to France I observed that there were no customs or immigration formalities at all at Calais. As we drove off the ferry without showing our passports, we might have been smuggling a trunkload of illegal immigrants or a hundredweight of cocaine. The same was not true on our return to Dover.

Britain opposes plans for the phasing out of passport checks on the grounds that this could make it easier for terrorists and other criminals to cross borders. At the same time, immigration officers promise a summer of maximum disruption unless more people are employed to help them in their useful work.

I suppose a case could be argued against pedestrian road crossings on the grounds that they might help a terrorist to cross the road. But that does not seem a good enough reason for preventing anyone else from doing so until he has proved it is not a criminal.

Peggy Fenn, a junior agriculture minister, warned travellers from France not to bring more than the permitted 1 kilogram of meat or powdered milk, on the grounds that to do so might spread unspeakable foreign diseases. But if French meat is liable to be poisonous or infected, then so is the permitted kilogram. There is no possible explanation for the attitude of successive British governments except a passionate desire to boss us around.

— Auberon Waugh writing in *The Sunday Telegraph* (London).

Expensive Performers in Space

People in outer space are mainly useful for dealing with problems that would not exist if they were not there in the first place, getting in the way of undramatic instruments that can easily reap the benefits of space.

But technological sense and dramatic appeal reflect different values. And that is why NASA, hoping to get \$8 billion for a needless cabin in the sky, is in astronauts tinkering in orbit recently with aluminum construction beams. It is also talking up a similarly super-

fluous venture, a manned trip to Mars that will take so long that planners say it is possible that cancer, heart attacks and other diseases of aging might develop along the way.

The wretched little secret of space politics is that humans are technologically a dispensable nuisance up there, inferior to and far costlier than sophisticated instruments. But without humans, space would be like a circus without high-wire acts — bad for the box office.

NASA goes into pantomimes over astronauts occasionally salvaging errant satellites. Unmentioned is that the cost of outfitting the Space Shuttle for human crews far exceeds the value of the saved satellites.

A manned Mars mission would be the premier example of prodigious waste on useless cargo. Relatively inexpensive unmanned satellites have already transmitted back volumes of precious scientific data. The medical problems, though difficult, are manageable. There would be no medical problems if useless human cargo were left behind, but that would reflect a great mistake in space politics — the triumph of engineering over art.

— Syndicated science commentator Daniel S. Greenberg (Washington).

Chosen for Temporary Duty

All one has to do is to be assured a retirement income of \$86,000 a year is become president of the United States. The money assures that [former presidents] need not exploit the high office they have held and can carry out the responsibilities it places upon them for the rest of their lives. What is thoroughly unacceptable, though, are the escalating costs of maintaining Taj Mahal libraries, providing an imperial office and staff and deploying a palace guard for lifetime protection. This is the year Congress finally should clamp controls on the fringe benefits that recent ex-presidents have learned to like too well. The Oval Office may produce king-size egos, but it is occupied only by citizens chosen by fellow citizens for temporary duty. It should not lead in retreat to a form of American royalty.

— The Oregonian (Portland).

FROM OUR DEC. 10 PAGES, 75 AND 50 YEARS AGO

1910: Greeks Victimized in Rhodes RHODES — Indignation prevails here regarding the administration of justice. When the Ottoman constitution was proclaimed, there were hopes that public services would be reformed, and notably the law courts, but the administration of the law is now in a more corrupt state than during the absolutist régime of Sultan Abdul Hamid. Greek residents are the victims of continual persecution and get no redress. The Greeks are in reality without a Consul, because M. Stiada, who was appointed to the post, is not recognized by the Turkish Government on account of his political antecedents in Macedonia. Gangs of Mussulman marauders parade the city, terrorizing the Greeks and obliging them to close their shops. The police look on but do not intervene.

1935: Roosevelt Defends Farm Policy CHICAGO — Defending the Administration's farm policy as designed to end conditions which "turned the farmers virtually into serfs" and denouncing its critics as "political profiteers," President Franklin D. Roosevelt told the American Farm Bureau convention (on Dec. 9) that the agricultural problem is a national matter and must be subject to the jurisdiction of the Federal government rather than of the forty-eight states. The President claimed the Administration's program had increased farm incomes by \$3 billion in the past two and a half years. He admitted that some retail prices were too high, but said: "Lifting the prices of farm products to a level where the farmer can live is opposed chiefly by the few who profited heavily by the depression."

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A Chinese Lesson: Interest Can Overcome Ideology

By Warren Christopher

The writer was U.S. deputy secretary of state from 1977 to 1981. This is the second of two articles.

LOS ANGELES — A refusal to be diverted from internal reform seems to be the operating principle of China's foreign policy in the 1980s. Its reaction to Vietnamese strikes this year in Cambodia has been muted, especially in contrast to the "teach them a lesson" approach of the late 1970s. Relations with South Korea are edging toward normalcy.

For good measure, China has trimmed its military budget and it plans to reduce the size of the People's Army by one million men. As a nuclear power China has shown no interest in an arms race with anyone — maintaining less than 250 nuclear-capable missiles and bombers, compared to thousands for the Soviet Union and the United States.

Meanwhile, the country's domestic

reform is proceeding. The goal of the 400,000 state-owned enterprises in China is no longer aiming to fill bureaucratic orders but a return of reasonable profits. Managers now make their own plans in such areas as wages, suppliers, investment and production. American-style training has been adopted in management, marketing and accounting, using instructors from American universities.

China is official acceptance, even approval, of the accumulation of wealth. Private ownership is permitted for shops, restaurants and medium-size businesses. Perhaps most striking of all, China is grammar mission for private companies to sell shares of stock to the public.

Chinese leaders are not timid about describing what they are doing. The party leader himself, Hu Yaobang, has said that China "wasted 20 years" after 1949 because of the "radical leftist nonsense" associated with Mao. As an example of "nonsense" he recited Mao's phrase, "Better to have socialist weeds than capitalist seedlings." Now the favored maxim is the reverse, summed up in the slogan from China's top leader, Deng Xiaoping, that a cat of any color is welcome so long as it catches mice.

As Prime Minister Zhao Ziyang says, "We learned our lessons the hard way ... Now we know what works best for China."

Quotations from Marx, Lenin and Mao are still invoked to rationalize the new policies, but a Chinese official told me recently that the reforms would create "200 million rich Chinese." These changes are historic.

No major Communist country has

tried to move so far toward a market economy. There is evidence that the rapid pace of decentralization may have outrun the competence of local managers. A mere promise of change in the pervasive system of price controls caused a ripple of panic buying; when actual price increases come, discontent is bound to follow. Opposition is surfacing among bureaucrats who are losing power and who call the reforms "spiritual pollution." This is plainly a time of testing.

What will happen when Deng Xiaoping, now 81, leaves office? He gives every indication of being concerned with posterity as well as power.

— Hu Yaobang, the party leader, Zhao Ziyang the premier. A cadre of younger people has replaced a generation of aging leaders, in the largest

power shift since 1949. The strategy will be to assure that today's directions will survive their chief author.

The reforms are manifestly popular — and, on the whole, working. China has grown at sustained rates, comparable to Japan in the 1960s and South Korea, Taiwan and Hong Kong in the '70s. As businesses dealing with China can attest, the country hunger for advanced technology, and incorporates it readily — in effect, skipping whole generations in building an industrial base.

China is a forceful answer to the suggestion that every Marxist society is irretrievably hostile to Western interests. Nations and peoples can be subjugated by stronger outside powers, and we know this is a Soviet ambition. But China shows that nations, when able, are more likely to follow their own interest than some else's script. It just might be true that time is on freedom's side.

Los Angeles Times.

But Why All This Official Trust in Chinese Nuclear Restraint?

By Leonard S. Spector

that import U.S. nuclear materials, including Britain and France.

In essence, that means trusting China's word that it will not misuse nuclear transfers. With the U.S. government accusing China of 20 years of deceit — which continued even as the nuclear deal was being negotiated — unqualified reliance on such assurances hardly seems warranted.

More than potential Chinese nuclear chicanery is at stake. The sensitive nuclear pact has been treated by both sides as a key barometer of U.S.-Chinese relations. In the immediate aftermath of the spy scandal, Washington's stand on the accord may be the single most important indicator of how seriously it views China's spying exploits. President Reagan's fast-shaking at all the spies in our midst

seems like so much bluster now that he has decided to continue business as usual with China on the highly visible nuclear issue.

There is also the question of can-do. Only days before China's spying activities were revealed in the press — at a time when they were certainly known to senior CIA and Justice Department officials — key members of the Senate Foreign Relations Committee were briefed by the CIA. On the basis of that briefing, the committee expressed its support for the nuclear agreement. Did the committee learn of China's spying activities at the briefing and decide to endorse the agreement anyway? Or was this information withheld because it would upset the nuclear deal?

Washington's real concern is to strengthen ties with a potential anti-Soviet ally — despite the damage to other U.S. interests.

The delivery of nuclear materials is still months away, and in the interim there will be further talks on what the "visits" and "exchanges of information" specified in the pact really mean. These talks could lead to truly effective safeguards. But there is little reason to believe that U.S. negotiators will be instructed to insist on such safeguards — or that China, having observed Washington's solicitude in the wake of the *Chinatown* affair, will be prepared to grant them.

The writer is senior associate at the Carnegie Endowment for International Peace and author of "The New Nuclear Nation," an annual report on the spread of nuclear weapons. He contributed this comment to The New York Times.

When Japan Marched to War, a Dissenter Was a Non-Citizen

By Kensei Fukae

NEW YORK — At school on the morning of Dec. 8, 1941, the battle station bell of the flagship Mikasa pealed out, as it did every morning, for roll call. The Mikasa had led the Japanese victory over the Russian Baltic fleet; the bell was yet one more daily reminder of the Japanese military tradition that my schoolmates and I lived to uphold. But that morning the bell had another resonance: At breakfast, my mother and brother and I had heard the news of our attack on Pearl Harbor.

As junior high school students, we had learned that our virtual annexation of Manchuria was our protection against the advance of Communism after a power vacuum was created by the collapse of the Ching dynasty. It was also true, however, that the Depression had resulted in the collapse of Japan's Western markets, and the population had doubled in 50 years. Expansion through military conquest seemed to be a solution to many of Japan's economic problems.

The Japanese group mentality and the "samurai" spirit strengthened the cause of those who urged military spending and strength. Our traditions, after all, taught us

not to question leadership and authority. Anyone who questioned the military budget was considered "hikoku-min" — a "non-citizen" — and as such was thought to be endangering our sacred national security. The more aggressive the military became, the more it was able to win concessions from the moderate elements in the government who feared being condemned as un-Japanese.

The United States reacted to the occupation of points in Indochina by declaring a virtual trade embargo that included oil. On Dec. 8, we were told that our strike was against a hostile nation that was usurping Japanese property, choking off oil and demanding our withdrawal from China. In the schoolyard, talk was excited and patriotic. We were 16; in a short time more than a third of us would take our places in the army and naval academies. Soon school was, practically speaking, suspended, as the entire nation was mobilized for military training or industry.

Along with the virtual annexation of Manchuria in 1933 came the establishment of a

"thought police." The military establishment now controlled not only the administration but also the media. Censorship of news was sanctioned for "national security reasons." — editor, professor, politician — expressing a dissenting opinion could be arrested as a Communist sympathizer or similar undesirable. Patriotism ran high in our isolated land, and the administration defined all of its actions in terms of national security.

Within a few years the media were being used to exhort the people to fight to the glorious end. The kamikaze mentality flourished as citizens of all ages sharpened bamboo spears to ward off invaders. Firebombs rained destruction on every major city except the old capital, Kyoto. On March 10, 1945, 200 B-29 bombers incinerated more than 50 percent of metropolitan Tokyo and 30,000 residents. On Aug. 6 and 9, America dropped atomic bombs on Hiroshima and Nagasaki.

On Aug. 14, we were told that the important announcement would be made the next day. The next day, the emperor spoke on

the radio for the first time. For over 2000 years the emperor had been regarded as the sacred descendant of Shinto God. None of us had ever heard his voice. We accepted that the war was over, although we were still ready to die for our country. It was a moment of relief and disappointment; almost everyone cried.

In the next several days many officers committed hara-kiri, in keeping with the samurai code. Some young men organized partisan groups to fight to the death rather than be captured. But for most of us the emperor's order to surrender was absolute. We were and are a deeply patriotic nation.

America, unlike Japan, has a strong tradition of dissent. America was built on the right to challenge authority. Such a tradition was tragically absent in my homeland as I grew up. Americans should cherish it, for it is such rights that most merit their patriotic devotion. Our loyalty was to our leaders. America's must be to the Constitution.

The writer is president of Kentek Information Systems in Allendale, New Jersey. He contributed this comment to The New York Times.

The Media and Terrorism: Coverage Should Be Complete and Reasonable

By Katharine Graham

Mrs. Graham is chairman of the board of The Washington Post Company. The following, the first of two parts, has been adapted from the 1985 Churchill Lecture, which she delivered at Gullane Hall in London on Dec. 6.

Chosen for Temporary Duty

LONDON — Terrorism

Winners Of Nobel Join to Aid III Reporter

(Continued from Page 1)
which won the Nobel Peace Prize in 1977 for its publicizing of human rights abuses, are not faulted when they fail to address adequately nuclear and other issues.

"Broadening the agenda would break up our movement," Dr. Lowy said later in an interview. "We have found a small oasis of common interest that we pursue with obsessive intensity."

Dr. Lowy said he was "appalled" by the actions taken by Chancellor Helmut Kohl of West Germany and their leader in Western Europe, who had urged the Nobel committee to rescind the award because of Mr. Chazov's involvement.

Dr. Chazov insisted he was attending the Oslo ceremonies strictly in his capacity as a physician and co-chairman of the anti-nuclear group, not in his other roles as deputy health minister and a full member of the Communist Party's policy-making Central Committee.

When pressed in an interview on the fact that, unlike Dr. Lowy, he never was a private physician but as a government official, Dr. Chazov responded by saying that perhaps it is good that a man like him has some influence within my government."

He contended that the issue of Mr. Sakharov's freedom was "not our problem as doctors against nuclear war, because it is outside the commitment of our organization."

During Monday's press conference, Dr. Chazov dodged direct answers to questions concerning Soviet human rights abuses. He insisted that the world would not be a safer place if Soviet physicians were ultimately compelled to leave the anti-nuclear movement because of political considerations.

At that point, the news conference lapsed into chaos as the doctors rushed to attend the heart attack victim, who was identified as Lev Novikov, a Soviet television journalist.

Their common interest in "sudden death" by cardiac arrest brought Dr. Lowy and Dr. Chazov together more than 15 years ago. They first began to exchange medical research findings, and developed such a close rapport that they decided five years ago to launch their crusade to banish the threat of nuclear war.

Later, a hospital spokesman in Tokyo said that Mr. Novikov was alive in "stable but critical condition."



Albertina Sisulu

Treason Case Is Withdrawn

(Continued from Page 1)
against the accused and was regarded as vital to the prosecution's case.

Under cross-examination, Mr. de Vries admitted that the Natal Indian Congress and the Transvaal Indian Congress, which are part of the United Democratic Front and to which many of the accused belong, are not committed to violent revolution as he had testified.

Instead, he acknowledged, they were guided by the nonviolent philosophy of their founder, Mohandas K. Gandhi, who lived in South Africa before he founded modern India's independence movement.

The case produced other embarrassments for the government as well. A security police officer, Major Harold Miles, revealed under cross-examination that police informers were paid according to the information they gave, getting more money for more valuable information.

The major conceded that this could be an incentive to informants to exaggerate their reports, and that informants' reports often formed the basis for issuing restriction orders against political dissent.

Cremated Remains Stolen

The Associated Press

TOKYO — Ashes from cremated remains, including those of victims of a Japan Air Lines plane crash in August, have been stolen from two crematoriums, officials said Monday. The crematoriums store ashes after family members remove the bones according to Japanese tradition. The remains are subsequently sold to those who sift through them for gold and other precious metals.

'Japanese Invasion' Is Welcomed by a Small Town in France

(Continued from Page 1)
have a problem in Western Europe communicating what we are trying to do — it is not an easy task," said Makoto Kuroda, a senior official of Japan's Ministry of International Trade and Industry, known as MITI.

As reflected in a recent survey by MITI, the communication problem involves an inability by many Japanese companies to adapt their management methods to another culture.

"Local employees, unlike Japanese employees, do not consider their work to be the center of their lives," the survey reported.

Nevertheless the Japanese continue to come to Europe. About 200 Japanese manufacturing companies are exploring sites for new investments in countries, such as Sweden, that they had ignored previously. The Japanese are looking to invest in banking and trading as well as manufacturing — consumer electronic products, office equipment, cars and tires, even pens.

Japanese companies also are seeking joint-venture partners in Western Europe in sectors where they have been weak internationally, such as pharmaceuticals, biotechnologies and telecommunications.

The companies are being supported actively by the Japan External Trade Organization, an agency of MITI that operates 18 offices in Western Europe.

"We still are promoting Japanese trade, of course," said Chikako Tsuji, head of the trade organization's office in Paris, "but increasingly we are becoming involved in helping our companies with their industrial investments and strategic alliances. This means advising them on everything from government and union relations and financing to finding parts suppliers and partners."

"As in Africa, our companies are getting a warm welcome."

The newcomers include little-known small- and medium-sized Japanese companies, many with virtually no previous experience in dealing with foreigners.

"The newcomers are a step down from the giants, such as Nissan and Sony," said Jim Ivens, an official in the British government's foreign investment agency in London. "But they definitely are quietly looking everywhere in Europe, including here."

"They are not coming here for the golf, the tea, not for our blue eyes," Mr. Ivens added.

He left unsaid the major reason the Japanese are coming: to circumvent growing trade barriers in the European Community. These include not only long-established tariffs, which the EC is preparing to raise on everything from compact

disks to electronic components, but also a rash of duties aimed at "dumping," or selling exports at less than the cost of production.

For car manufacturers, the barriers include import quotas that range from 2,200 cars in Italy to 3 percent of the total market in France and 11 percent in Britain.

One result is Nissan's role in Britain.

"Our plan for major investments in Britain," said Mitsuya Goto, the London-based general manager of Nissan, "stem partly from the fact that we consider the limiting of Japanese car imports here to 11 percent of the total market a restraining factor on our expansion."

Nissan sells about 110,000 cars in Britain annually. Next August, the company plans to begin assembling 24,000 cars a year from imported kits at a new plant in northeast England.

A second plant being planned for a nearby site would produce 100,000 Nissan cars by 1990, representing the largest single investment by the company outside Japan and the United States. The cost is estimated at £30 million (about \$450 million), or £250,000 more than the first plant.

Because each car at the second plant will contain 60 percent to 80 percent British parts, rather than being made from kits sent from Japan, the import quota will not apply, Mr. Goto said. "Quite simply," he added, "if we finally decide to proceed, our sales in the U.K. will double, and we will export cars from Britain."

As happens throughout Western Europe, Nissan has been offered generous financial help by its hosts in a move strongly supported by Prime Minister Margaret Thatcher. The British government is offering grants and other aid representing about 30 percent of the total investment.

Japanese officials emphasize, however, that financial aid is rarely the deciding factor in direct investment.

Rather it is the abundance of skilled workers and managers, generated by 11 percent European unemployment, that is the key to investment choices. Sony selected Alsace after it narrowed the choice to sites in Austria, Wales and West Germany.

"We wanted French quality workers, mainly Alsatian women," a Sony executive said. Several hundred people have already applied for jobs at the plant, which initially will employ 250. The number could double within a few years, the executive added.

The fact that Japanese wages now approach, and sometimes exceed, those in Western Europe also helps explain the trend.

A recent survey by West Germany's Dresdner Bank showed that in Japan average hourly wage costs in industry are the equivalent of 22.30 Deutsche marks (about \$9). That compared to 23 DM in France, 20 in Britain, 16.20 in Spain and 37.70 in the United States, 31.40 in Switzerland and 29.30 in West Germany.

They cite the following statistics:

"The total book value of Japanese investments, even after roughly tripling in the last 10 years, remains modest: the equivalent of \$7.7 billion last year, up \$1.5 billion from 1983. Of that total, about 80 percent was spent in commerce, banking, distribution and other

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1967 established a plant near Paris that now has 60 percent of the market for roller-type pens in France.

Discussing the attitude of his French workers, Hiroaki Arai, director general of Euro Pentel, told the Euro-Asia Business Review: "I don't understand them and they don't understand the company. Conditions for workers here are already too good, and they are still pushing for more money and more vacations."

The situation has improved since Mr. Arai was interviewed earlier this year, a spokesman said, because roughly half the French workers have been replaced by Spanish, Portuguese, African or Vietnamese workers.

Or, as a Japanese study put it: "Trade friction can, in a sense, be called cultural friction. Numerous difficulties will have to be resolved before the recipient countries find [corporate investments] totally acceptable and the investing companies find them profitable."

In France the problems are similar — and different.

The first Japanese investment in France was Euro Pentel, which in

Investment by Japanese concerns, first designed to broaden markets, has been accelerated as a way of skirting Europe's increasingly protective trade barriers.

"The figures do not tell the whole story," said Jean-Pierre Lehmann, an associate professor at INSEAD business school in Fontainebleau, France. "But wage costs in Spain need the jobs, and a high rate of turnover of Japanese executives, the companies do not attempt to integrate local executives into top management."

Mr. Lehmann said that the next big investment push will come in Spain. "Spain needs the jobs, and a high rate of turnover of Japanese executives, the companies do not attempt to integrate local executives into top management."

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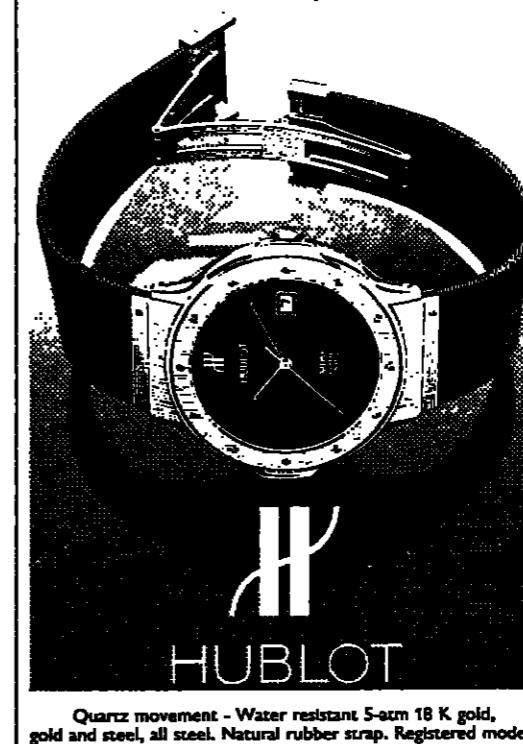
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DIAMONDS

A SPECIAL REPORT

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TUESDAY, DECEMBER 10, 1985

Following the Gem Trail
From Rough to Riches

By George Gudauskas

PARIS — A rare stone lacking luster in the rough, the diamond is the most paradoxical of gems, bearing great fame and seductive power.

Through the centuries April's birthstone has emerged as a symbol for light, life, the sun, durability, incorruptibility, invincible constancy, sincerity and innocence.

Today, diamonds are widely known as symbols of love and trust.

Diamonds have always been the choice of the rich, the royal, the famous, gaining high reputation because they are the most expensive, the hardest, the most brilliant and the rarest of gems.

Pliny the Elder, the Roman naturalist, encyclopedist and writer, said, "Diamonds represent the greatest value not only of the gems but of the good things on Earth."

And T. Nichols wrote in 1652 in "The History of Precious Stones" that "the pure diamond is a hard, diaphanous perfectly transparent stone which doth sparkle forth its glorie much like the twinkling of a glorious starre."

The unsurpassed beauty of a polished diamond is determined by how it reflects light. Its facets are painstakingly placed so that it admits and reflects the maximum.

The diamond then literally sparkles and glitters like a star.

In unpolished form, however, the diamond is a vague crystal stone, lacking luster. It is downward dull and needs skilled cutters and polishers to bring out its beauty.

The "four Cs" — carat, color, clarity and cut — determine the polished diamond's real value.

Despite its value, the diamond's composition of crystallized pure carbon does not differ from that of graphite, that greasy-feeling black mineral with metallic luster most commonly found in "lead" pencils.

Inferior stones — 80 percent of the world's diamonds lack gem quality — are used as abrasives, in cutting tools and in phonograph needles. Many space-age applications exist for them, too, including high-grade optics for the U.S. space shuttle.

In the 18th century, as Indian mines began to give out, new discoveries were made in Brazil, where gold washers accidentally found diamonds.

In 1866, in what would begin the most significant chapter in the long history of diamonds, a Boer, or Dutch farmer, found a diamond on a great plain in the heart of South Africa.

Three years later, near the Orange River, a Hottentot herder picked up the legendary Star of South Africa, an 83.5-carat diamond that he then offered for the price of a night's lodging.

"Sir," he said to a Boer, "I have a beautiful stone for you if you allow me to stay overnight."

He was turned away, but a fruit dealer then offered all his possessions — 500 sheep, 10 oxen and a horse — to the astonished herder for the stone.

The discovery sparked "diamond fever" in South Africa and caused the biggest diamond rush in mining history, in the Kimberly region of Cape province.

A power struggle ensued, pitting thousands of producers working their own claims against each other. Their competitive selling endangered the market's stability at a time when the world faced economic hard times.

The struggle led to the founding of the De Beers Consolidated Mines, Ltd., and later to the Central Selling Organization in London. The CSO now largely controls the market.

Fascinating but secretive, the market abounds in legends and tales. One of them involves the largest sale of diamonds in history — a \$24.5-million transaction in 1974.

It only took a minute, according to Ronald Winston, who wrote about it in a book on his father, Harry Winston, the jeweler and creator of one of the largest diamond manufacturing and marketing companies in the world.

These exceptional pieces, collectors' items, would cost a jeweler \$35,000 and \$65,000, but they are not necessarily expected to find a buyer. De Beers, however, has decided that it is in its interests to keep the industry on the move. Its competitions began with a hyper-realistic stage: diamonds with paper clips, for instance, or another winning entry, denominated by L'Humanité, the Communist daily, showing off a substantial proletarian in the vice of a substantial proletarian monkey wrench.

A more recent venture was the "Simple Is Beautiful" collection, which ranges from Art Deco in inspiration to unabashed hi-tech. Jean-Jacques Chauvin, one of the designers represented, is 23 and chafing that his designs must be scaled down to the inevitable constraints of the market. It may be some time before Cartier and Boucheron are ready for his futuristic mechanical creations inspired by science fiction and comic strips.

Some jeweler's maintain that it is their Arab clients who keep the market's inventiveness running. First of all, they have had the means to become connoisseurs, and then, because they buy jewelry more freely as gifts, they are tuned in to the newest models. Bulgari argues that Americans are more receptive to innovation. Some say the French are the keenest judges of good work. And many report that there has been an evolution in attitudes: that customers who used to come in to add a face to their investment portfolio, are now more sensitive to the beauty of the jewels.

The fact remains that most jewelry lives a half-life in a bank vault, and much ingenuity has been expended in grappling with the problem of security.

"I wish I could leave the door open and let people come in and out as if it were a supermarket," said Michel Ermelin of Venevey, a Star of David does not so far command much of an audience — or much of a price. Meanwhile, hematite and onyx are enjoying something of a vogue, and inventive designers are mixing cocktails of diamonds with smoky quartz and rock crystal, ebony and obsidian.

Unfettered imagination and De Beers' biennial international contests for design have come up with some wild combinations. François Paulin, aiming for contrast — "the hardest material and the softest, the brightest and the darkest" — produced a necklace in jet-black

maharajas; that many of the myths and legends surrounding diamonds sprang forth.

Unknown to the early Greeks, it is said, diamonds won high favor among the Romans. They prized them for their reputed supernatural powers. Diamonds served as talismans, or lucky charms. In Rome, diamonds also were used for engraving.

The Persians and the Arabs monopolized diamond shipping until the Middle Ages. They also held a priority claim on purchasing, denying Europe most diamonds.

But, after the Crusades, which opened new trade routes, Venice became the largest Western commercial power and the center for the diamond trade.

Demand for diamonds in Europe grew.

With that demand, diamond-cutting and polishing skills spread as far west as Flanders, first to Bruges and then to Antwerp, aided further, in 1498, by the Portuguese explorer, Vasco da Gama, who discovered the direct sea route to India.

In the 18th century, as Indian mines began to give out, new discoveries were made in Brazil, where gold washers accidentally found diamonds.

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The pear-shaped Cullinan I, with its 74 facets on 530 carats, is mounted in the British royal scepter.

and one belonged to actress Elizabeth Taylor.

The late Harry Winston handled the stones and had it cut in Amsterdam by the Aschur brothers. They produced nine large stones and 96 smaller ones.

The large stones belong to the British royal family. The largest, the Cullinan I, with its 74 facets on 530 carats, is mounted in the royal scepter.

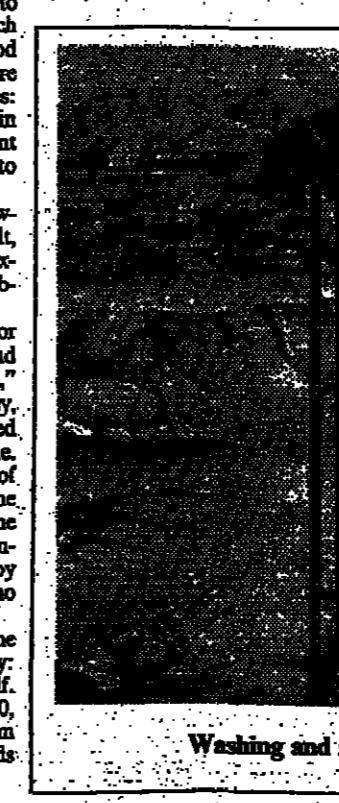
The Great Blue Diamond, the Hope, ironically carries the stigma of "cursed diamond." According to legend, it is said to bring great misfortune and tragedy to those who possess it.

"Nothing is further from the truth," according to the Diamond High Council in Antwerp, the polished-diamond capital of the world.

Susanna Steinberg Patch has also given support to this assertion. After investigating the legend of the curse, she concluded in a 1976 book, "Blue Mystery: The Story of the Hope Diamond," that much of the stone's lore cannot be substantiated.

In 1958, Harry Winston possessed the "cursed" diamond, without incident, then donated it to the Smithsonian Institution in Washington, where it is now on display. He reportedly sent the gem by ordinary mail.

The Smithsonian receives several letters a year about the gem. Each blames America's ills on the diamond and each asks the museum's directors to get rid of it.



Washing and sorting diamonds in Brazil in the 18th century.



A diamond cutter at work in Antwerp, around 1850.

For a Skilled Stone Cutter, Life Is on the Solitary Side

ANTWERP — For Henri Lauryssen, diamond cutting is a fascinating job, presenting new challenges with each precious stone he fashions.

"I'm learning every day," he told a visitor in a corner of a drab room whose only light comes from his workbench and from windows high in a far wall.

Mr. Lauryssen was handling the job of girdling, a process already known in Renaissance times. He has performed the task for nearly four decades.

A skilled job that requires concentration and steady hands, girdling involves rounding the base of a sawed or cleaved stone so that it has more or less the form of a polished diamond.

To do this, Mr. Lauryssen diamonds a diamond to a top, and holds and mounts it in the chuck of a lathe that rotates at high speed. He then takes a second rough diamond, which he has also cemented to a long dop, this one hand held, and places it against the first as it spins. The friction of the two stones gradually gives the desired shape.

"It's a nice job, fascinating," Mr. Lauryssen said. "Every stone is a new challenge."

But, despite the satisfaction Mr. Lauryssen gets from his work, his job is not without its worries, its problems.

"It's lonely sitting here in a corner," he said, facing dark, windowless walls. "No fresh air."

The gray-haired man, with the bottom of his work apron tucked to his belt to catch anything dropped, shifted at his work station and surveyed the room. Only one other man worked there, his back to his colleague.

Pondering his trade, the 58-year-old craftsman said he was still learning but, "Once you learn everything, you are too old. Your eyes are gone, and you are shaky."

Mr. Lauryssen, whose mother was also a diamond worker, wore steel-rimmed glasses that he said he had since he was about 40, with no change of prescription. It is not the eyes, then, that go first.

The constant movement required in the job of bracing the long, wooden dop under his arm and pressing it against the spinning lathe has given him back problems, not uncommon, he said, in his trade.

"I've already had one operation," he said, touching his lower back, where he said "the bones rub together" because of the rocking motion of the work.

"We have more tension now than before," he added.

Competition and other pressures require that now, more than ever, more be gotten out of a rough stone. Earlier, as much as 40 percent to 60 percent of a stone could be lost in processing, which includes cleaving or sawing, bruting or girding, and polishing or faceting.

Mr. Lauryssen picked up a handwritten order that called for a process of cutting a stone. The note said a 3-carat rough should be fashioned from the 4.75-carat rough stone on his bench.

"We have to make 3 carats," he emphasized, shifting uneasily in his chair to roll a cigarette and light it on a small gas burner on his bench.

As experienced as Mr. Lauryssen is in his skilled craft, mistakes sometimes occur — but not many.

"At my age, it's very small, the number of mistakes," he said. "Two or three times and you're out."

Pressures on the job and changes in the industry, including modern processing techniques, have altered the atmosphere of the work place, too. Mr. Lauryssen said.

Twenty years ago, you could hear the polishers out there laughing and joking," he said, moving to a nearby room where a dozen or so men sat silently at their benches and faceted diamonds.

"Now," he continued, "it's like a cemetery."

— GEORGE GUDAUSKAS

By Vicky Elliott

PARIS — One of the reasons Louis XIV is known as the Sun King is that he glittered as he walked. His royal person was encrusted, it seems, with as many as 2,000 diamonds: on his hat, on his cravat, on buttons, garters and buckles.

Gentlemen today are shier, indulging only in the odd timepiece or cuff link. But the purveyors of diamonds have been conspiring, with limited success, to expand this neglected segment of the market. Collections for men have been designed confronting diamonds with leather and steel, inlaying them on smooth wooden spatulas or letting them masquerade as the miniature ball at the end of a tiny gold polo mallet. There are taboos to be broken.

Faced with a tighter market, the great names in jewelry have had to become inventive. As they had to adjust when the maharajahs and many of the crowned heads of Europe faded into history, they are having to adjust today as the oil money flows less freely. Some have made multimillion-dollar businesses by refocusing part of their activities on new customers in a different income bracket. There are still new "boutique" lines opening on the Place Vendôme, the mecca of the industry, where starting prices for a bangle with the odd diamond hover at around \$300.

Marketing has evolved. It is true that most women in the jewelry ads are there only to display their husbands' spending power, but De Beers has a new campaign instilling that only the man whose wife (or life partner) has just presented him with a diamond can be a yuppie really worthy of the name. Many of the highly tailored individuals who play their trade on the rue de la Paix are doubtful this tactic will really breed a generation of latter-day Sun Kings, but things do change.

The engagement ring, for example, whose function has become somewhat ambivalent, at least among the cohabiting middle classes. Nowadays, when the couple finally reaches the registry office, there may be only a single ring doing the job of two. (The problem is what to call it: De Beers' Centre du Diamant, not altogether successfully, tried "les nouveaux fiancés," hoping to borrow from the sophistication of the New Roman and nouvelle cuisine.)

Then, there is the problem of clothes. Since the days of Britain's Queen Mary, who was particularly partial to bubbles, there has been a shrinking not only in the number of state occasions but in the surface of apparel available for adornment. No hats, hence no hat pins; no jabots at the neck; brooches have

as good as vanished (although there has been a concerted effort to revive them in Paris as the "clip").

Life-styles count, too. Queen Mary's great-grandchildren (or their wives, who, after all, have started to wear their jewels around their foreheads) may have to do the dishes themselves. The solitaire in its Tiffany mount, with four claws,

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Market Slump Brings Troubles for De Beers

By Lynn Curry

LONDON — De Beers Consolidated Mines Ltd. has dominated the international diamond industry for decades. But now, in the wake of a sharp downturn in diamond prices since the boom days of the late 1970s and the speculative peak of 1980, the giant South African conglomerate is facing a difficult future.

"Even with some signs of improvement in the short-term, we believe the outlook for De Beers remains uncertain and perhaps," Peter Miller, an analyst at L. S. Apel & Co., a London stock brokerage, said. "It's difficult to find anyone who is bullish on De Beers."

Iz Dhillon, an analyst at James Sopel & Co., another British stock brokerage, said: "The outlook is dismal. The company's stock may pick up slightly in the short term as the longer term, an artificial market can't be sustained. We've seen that OPEC has fallen apart. The market is in chaos. We think market forces will eventually prevail."

Such assessments are grim news for De Beers, which, over since its founding in 1888 by the British

explorer and empire builder, Cecil Rhodes, has been one of the world's most powerful cartels. It monopolizes the mining, distribution, cutting and pricing of gem and industrial diamonds. It extracts diamonds from its own mines, purchases rough stones from other producers and sells them to various diamond cutters and polishers in India, Israel, Belgium and the United States.

Through its London-based marketing arm, the Central Selling Organization, De Beers claims to control 80 percent of the world's diamond output.

Its biggest profits, however, come from sales of gem-quality diamonds, which constitute only a small part of world production. It is in this area that De Beers has suffered its most serious setbacks, the result of falling demand for "investment" diamonds (one-carat and up) as an inflation hedge. This led to an excessive buildup of the company's diamond stockpile, currently valued at about \$2 billion.

These developments can be traced to the changes in the world economic situation in the early 1980s.

"Gem demand can almost be

correlated 100 percent to the U.S. economy," Mr. Miller said. "The problem was with the depth of the 1980-1982 recession in the U.S."

Roy Huddleston, of Huddleston Gemological Consultants, said: "There was a sea change in 1980. Interest rates went up and stayed up. It was possible to earn money on money rather than trading in diamonds. The gold price suffered. The fashion for putting money into collectibles just went."

For example, in 1980, a small number of one-carat D (colorless) Flawless diamonds each sold for \$65,000 between dealers. At the end of October this year, the same diamond fetched only \$11,000 to \$12,000, according to diamond experts.

Such volatile shifts have been reflected in De Beers' share price. Since 1980, it has fallen from almost \$10 to barely \$5 a share. At the same time, pretax profits have fallen from \$77.8 million in 1980 to a current \$32.1 million. But because of the depreciation of the rand against the dollar during the same period, the profit decline in dollar terms has been much steeper — from \$1.3 billion in 1980 to \$466 million.

In anticipation of a continuing boom, analysts said De Beers and other producers boosted their production capacity in the 1970s and De Beers is now saddled with a huge stockpile. Its inventory has become so large that analysts believe the company would need several years of sustained strong economic growth in the United States

to bring it down to manageable levels.

The cost of financing this diamond mountain is seen as a serious financial drain on the company. In 1980, De Beers had cash reserves of \$78.5 million rands and borrowed \$13.3 million rands compared with last year, when its cash reserves were about \$63.6 million rands and it borrowed \$1.259 billion rands.

Interest payments on this debt rose about 63 percent in the first half of 1985 over the same period in 1984.

Adding to De Beers' problems is the steadily increasing diamond production in Australia. This month, the Argyle mine, believed to be the world's largest single source of diamonds, has gone into operation, extracting largely industrial-quality stones rather than the more valuable gems. De Beers has

an agreement to purchase the majority of the mine's output in order to ensure it maintains control.

At the same time, smaller cheap-

er-to-produce discoveries in Australia have been made, and some analysts believe more such finds are to come. These developments are bound to further exacerbate the diamond glut, the analysts said.

De Beers, however, remains unperturbed and insists that the over-supply of diamonds is not a serious problem.

"We're not worried at all about the stockpile," said Roger van Eeghen, a De Beers spokesman. "While in money terms it appears large, it is soundly financed. It's larger than it's been in the past, but we actually require a certain amount of stock so we can supplement from the stockpile. We deliberately built up a buffer to avoid being totally dependent on the diamond market."

In addition, he noted, "Although the Argyle mine is a large producer in terms of volume, the diamonds are not a very good color or quality. Some 5 or 6 percent has been esti-

mated of gem quality that interests us. In financial terms, it's not a very important competitor. They're nice enough for industrial purposes. We have a contract to purchase [most of] them."

The company's control of diamond prices has been further complicated by the Soviet Union's aggressive entry into the diamond market. Although Moscow sells many rough and cut diamonds through the Central Selling Organization, last year it bypassed De Beers and sold a large quantity of polished diamonds in Antwerp below market prices.

In an effort to stabilize the market and the difficulties with its trading partners come at a delicate time for De Beers. Earlier this year, Harry Oppenheimer, who ran De Beers for 27 years, resigned. He was succeeded by Julian Ogilvie Thompson, a veteran of many years with De Beers. He is being assisted by Mr. Oppenheimer's son, 40-year-old Nicholas Oppenheimer, who heads the Central Selling Organization.

However, according to Mr. Huddleston, "The actual mechanism of whether the Russians sell more or less depends on their foreign currency or grain needs."

Earlier this year, Zaire, the world's largest diamond producer, also tried to sell its gems independently. But in August, Zaire renewed its agreement with the Central Selling Organization, reportedly because De Beers was able to obtain a better price for Zairean diamonds than Zaire could get on its own.

Zaire's attempt to go it alone, however, does reflect a feeling found among some diamond producers that sell to De Beers. According to analysts, distaste over dealing with a South African company, coupled with long-standing resentment at what some view as De Beers' high-handed methods have spurred the move toward operating independently. Indeed, workers involved in drilling and shoveling must be trained from scratch because these jobs were for "whites only" in South Africa.

At the moment, all five foreign are Motswana, or Botswana citizens. They took the jobs over from expatriates.

At offset some of the risks in its staple diamond business, De Beers has diversified into nondiamond assets, a move that has proven to be one of the company's financial strengths. De Beers now has holdings in Anglo-American Corp. of South Africa Ltd., a conglomerate that produces gold, uranium and coal and is involved in insurance and finance. It also has a stake in the conglomerate's associate, the Bermuda-based Minerals and Resources Corp.

Analysts say this trend may help

protect De Beers from the worst

effects of the slump in the diamond

market. But the continuing weak

ness of that market and its volatility

mean that the company's present

difficulties are likely to persist for

some time.

In Its Desert, Botswana Works Biggest Gem Mine in World

By Anne Charnock

mined side-by-side over the next 20 years.

These rich reserves of small gem stones supplement Botswana's diamond income from the existing Orapa and Lethakane mines farther north. Today, diamonds are the major export for this landlocked country that borders South Africa.

Jwaneng's diamonds formed in vertical pipes, originally the necks of active volcanoes, about 60 million to 70 million years ago.

"We don't know why diamonds are formed in volcanic pipes and we don't know why there are three pipes here," said Sean Daly, the mining superintendent for De Beers, a 50-50 partnership between South Africa's De Beers Consol-

ated Mines, Ltd., and the Botswana government.

These were not mountain-forming volcanoes at Jwaneng. Rather, the lava rose through the Earth's crust and spread out on the surface. Over the millennia, glaciers dumped barren rock on top of the pipes and buried deposited tons of Kalahari sand, creating a smooth, flat landscape. It took two years to shift this deposit, which was about 45 meters (49 yards) deep.

De Beers has now dug a giant hole, over a kilometer at its widest, and diamonds are being mined from the central pipe, by blasting and excavating the kimberlite, or diamond-laden rock. Eighty-ton trucks, dwarfed by the size of the hole, zigzag down to the excavation

site like a procession of worker ants.

Ultimately, the mine will reach a depth of 350 meters, the usual limit for surface diamond mining and almost three times the size of the three.

But, Mr. Daly said, "That's not necessarily the end of the mine. We could go underground then."

About 60 million years ago, the kimberlite was a deep blue color. But a rich variety of colors has been created as water percolated through the rock strata, dissolving out different elements. Red and yellowish-green bands have formed over the original, unweathered blue kimberlite, which is a much harder rock to mine.

Expatriates comprise just under a 10th of the 1,900-man workforce.

They mainly come from South Africa and Britain but also come from Zambia, Kenya, Uganda and Zimbabwe.

Most of the workers were employed at some time in South African mines, and many Botswana households depend on a family member mining abroad. Some re-training is needed for Jwaneng mining operations. Indeed, workers involved in drilling and shoveling must be trained from scratch because these jobs were for "whites only" in South Africa.

At the moment, all five foreign are Motswana, or Botswana citizens. They took the jobs over from expatriates.

Investors Learn That the Market Is Not Flawless

By Bruce Hager

its, one might think. But the principal attractions of diamonds may be forever, but their investment value has been questionable for a while. Since 1980, when prices peaked at the height of inflation, the asking price for a one-carat D-Flawless, the highest grade diamond, has fallen more than 500 percent and is still on shaky ground.

Not a good track record for investors thinking about future prof-

its, one might think. But the principal attractions of diamonds may be forever, but their investment value has been questionable for a while. Since 1980, when prices peaked at the height of inflation, the asking price for a one-carat D-Flawless, the highest grade diamond, has fallen more than 500 percent and is still on shaky ground.

People should realize that diamonds are not a commodity," said Joseph Schlesser, a New York broker and editor of a monthly bulletin called the Diamond Registry. "There's no unit that's uniform. It's like a work of art."

There are also two distinct mar-

ket segments of investors should be aware. The first is for top-quality, investment-grade diamonds like one-carat D-Flawless. Brokers say prices in this category could fall even lower due to surplus supply and negligible inflation, against which diamonds are used as a hedge.

And then there are commercial, or jewelry-grade, goods, where prices have held steady and in some cases improved since 1980. Brokers say a recent jump in market activity during the past two months suggests increased demand for bigger, better quality stones, which could mean that the overall slide in prices is over.

"I can't foresee much more on the downside," said Greg Hardeman, vice president and manager of Empire Diamond Corp., which he said is one of the largest buyers from the public in the world.

Brokers like Empire report demand exceeding supply in diamonds, ranging from half a carat to more than 5 carats in fine color grades from D through I, and clarity grades between Flawless and VS2. Diamond color scales run alphabetically from D to M, while clarity is judged from IF (Flawless) and VVS1 (Very, Very Slight 1) to I3.

"We're paying more than we have in the past for those grades," said Mr. Hardeman, who added that Empire was buying "aggressively."

One reason for improved demand is that the jewelry market is booming. According to the American Diamond Industry Association, demand for jewelry has increased steadily from 40 million pieces in 1980 to more than 45 million last year.

The trend is toward better quality and more weight, especially in engagement rings, according to Lloyd Jaffe, chairman of the group. Mr. Jaffe said the average size of the stones has jumped from about

one-quarter of a carat in 1980 to a little more than a third of a carat last year, while the price has gone up from \$700 to \$827.

Another reason is that secondary supplies of better jewelry-grade diamonds are becoming scarce. And with more and more people buying diamonds for jewelry, certain grades are showing a greater ability to appreciate in the short-term.

Some of the best results can be found in better quality "eye clean" stones with colors between D and F, and F and G, said Martin Armstrong, chairman of Princeton Economics, an international consulting firm that follows markets for investors.

"They'll appreciate 30 to 50 percent over short-term of a year and a half to two years and double on a three- to four-year basis," he added.

The average price for "eye clean" stones, according to William Nelkin, a jeweler in New York's diamond district, runs about \$3,000. Mr. Nelkin, who has spent 63 years in the business, agrees that these diamonds have become particularly popular and could appreciate along with the jewelry market.

Brokers also say the increase in demand for jewelry-grade stones will result in a corresponding need for newly cut stones to replace the old, which could lead to higher prices over the next year.

"What you have now are new goods, and new goods cost money," Mr. Schlesser said.

That does not mean that brokers are recommending buying diamond jewelry as an investment. New jewelry from retail stores, as opposed to jewelry-grade diamonds, generally has a mark-up value of between 100 percent to 150 percent or more over the value of the stones used in a setting. When it comes to selling such a stone, the market does not reflect the original price.

"When you buy from a store, you buy at the retail level," said a source at Cartier in New York, who asked not to be identified. "When you sell, you sell at wholesale level."

Still, investment-grade diamonds are hardly offering better returns for the short-term. A one-carat D-Flawless now has an asking price of between \$11,000 to \$12,000, while transactions are usually made for \$10,000. That is well below the \$65,000 such a diamond sold for in 1980 and is about back to its 1976-1977 price.

"There's potential for improvement, but there's still some uncertainty," said Martin Rapaport, author of a weekly New York newsletter called the Rapaport Diamond Report that lists diamond prices.

Mr. Rapaport and brokers say that demand probably will not improve until fundamentals like lower interest rates and higher inflation spur investors to turn from dollar-denominated securities to traditional tangible investments.

"Diamonds have traditionally appreciated with inflation," said William Hurwitz, president of Colonial Diamond Brokers in Frederick, Maryland. "But for the last couple of years, we haven't had any inflation."

Statistics bear this out. The Rapaport Index, which gauges price movements for the top 25 quality one-carat diamonds, has fallen for the past 10 quarters, extending back to 1983. Part of this was due, Mr. Rapaport said, to a surfeit of top-quality goods from the Soviet Union.

That does not mean that investment-grade diamonds are discouraging long-term investments. Except for the 1980-1983 period, which most brokers call an anomaly, diamonds have offered good, steady returns, outpacing even precious metals.

And should inflation return to double digits, then "diamonds are wild," Mr. Rapaport said. "It's like getting on the space shuttle."

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JOEL, in the top right, is a portrait of Sir Ernest Oppenheimer.

SIR ERNST OPPENHEIMER, in the top left, is a portrait of Sir Ernest Oppenheimer.

HARRY F. OPPENHEIMER, in the bottom left, is a portrait of Harry F. Oppenheimer.

JOEL, in the top right, is a portrait of Sir Ernest Oppenheimer.

SIR ERNST OPPENHEIMER, in the top left, is a portrait of Sir Ernest Oppen

ARTS / LEISURE

At the French Table: History in Exhibit

By Ann Barry
New York Times Service

PARIS — The French take themselves quite seriously in the gastronomic realm, and never more so than in "Les Français à la Table," a retrospective of eating habits and customs from the Celts to the present at the Musée National des Arts et Traditions Populaires in the Bois de Boulogne through April 21. Cutlery, ceramics, glassware, metal pieces, paintings, prints and furniture are arranged in showcases and in rooms to illustrate the evolution of dining à la française.

There are few ancient texts that describe a common meal and it is necessary to rely on archaeological findings. Indeed, what is particularly striking in the initial stages of the show is an almost desperate reliance on shards or fragments of objects — a worn-away knife, a scantly patched bowl.

In the beginning people gathered in a circle on the floor to sup. It was not until the 12th century that the table made its way from the floor. Staples of the Celtic diet were cereals, vegetables, cheese and some meat, principally pork. In times of famine, a meal was nothing more than thin soup and bread. A spoon, a bowl, a goblet and a napkin (this is necessary when the custom was to eat with the hands) were the basic appointments.

Drinking was a status symbol — imported Italian wine for the better off, beer for the lower classes. Until the 19th century it was advisable to drink cider, beer or wine, not only for calorific fuel but as a substitute for rain and river water.

According to a study of Langue-doc peasants of the 15th century, an agricultural worker consumed 4,163 calories a day, 84.6 percent of which was derived from bread. (The average daily intake of an adult man today is about 2,400 calories, about 15 percent derived from bread.) Meat was a rarity, constituting 4.6 percent of the diet. The poor, an instinctive proper to a society of meat-eaters, did not become firmly established until the 17th century.

At first, people carried their own knives to table. These knives, since their ends were pointed, probably functioned as weapons also. Not until the 17th century, when the fork and plate came into common

use (the French court had adopted them in the 16th century), did the knife take on a more genteel rounded end. At that time, too, individual place settings became a fixture.

A prime titled "Repas Servi sur une Terrasse" (Meal Served on a Terrace), dating from about the end of the 17th century, reveals a transition in French table etiquette. Several dozen elegantly attired and costumed guests are seated — the man-woman-man-woman arrangement has clearly been established — around a circular table. Forks and knives are in evidence, yet two ladies are still daintily fingering their food. The table is laden with a plethora of dishes in what constituted just one of several courses that included a full range of dishes. This was termed "service à la française," which was replaced in the early 19th century by "service à la russe," a sequential arrangement of one dish after another — the tradition we know today of progressing from hors d'oeuvres to dessert.

Turning a corner, both in the exhibition and in time periods, there is an 18th-century room setting in which the scene is what might be thought of as "la grande cuisine française" in its heyday. The elegantly appointed table, with a spun-sugar extravaganza as a centerpiece, features exquisite floral porcelain in a range indicative of the elaborate nature of a repast from egg cups to casseroles and gravy bowls to individual refrigerators or vessels for freshening the wine glass.

In contrast, a scene of a 19th-century country dining room in Brittany is a study in cozy, down-to-earth living. The room, the center of all domestic activity, houses the beds, a grand armoire and a long wooden table surrounded by benches.

The hand-painted pottery is whimsical and flamboyant, combining the abstract with images of flowers and birds. The women, children and old people ate at the hearth, the table being reserved for the working men. When a boy went to table, it was a sign that he had reached manhood.

Some pieces in the show are reminders that history is ever with us. For example, little tin gamelles or lunch pails similar to turn-of-the-century versions in the show are

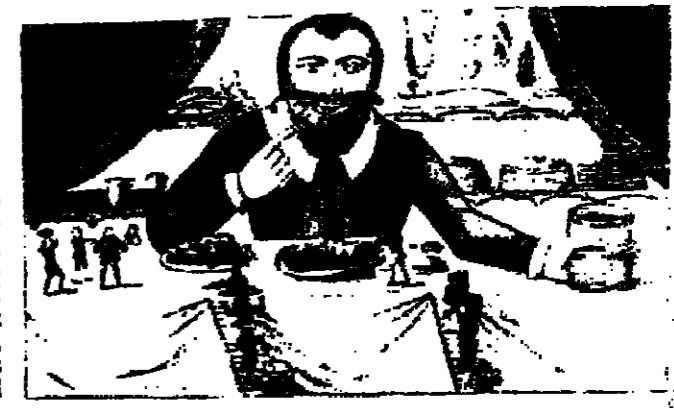
still used by many French workers to heat their lunches.

Cosmic Cuisine

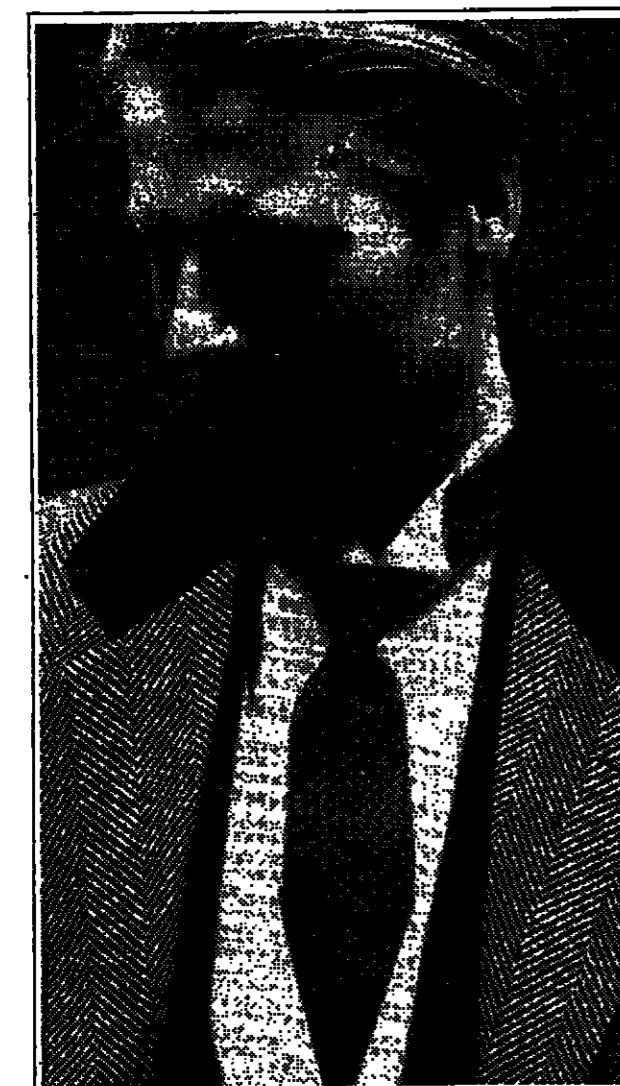
How astronaut cuisine went from powdered orange drink and stuff resembling baby food to fresh and freeze-dried shuttle meals is the subject of "Space Food," an exhibit at Washington's National Air and Space Museum. United Press International reported that the permanent show, a section of the Museum's "Apollo to the

Moon" gallery, displays photographs and artifacts tracing the cosmic quest for a good meal.

Items range from John Glenn's 1961 beef stew in a tube to modified Coke and Pepsi cans flown last summer aboard the shuttle Challenger. The trend has been toward food "much more like what we eat on Earth," said the exhibit curator, Derek W. Elliott. "Today's food is essentially taken off the shelf and repackaged for a weightless environment."



Tiny waiters serving gourmand in 19th-century woodcut.



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Credit card

Two

Three

More than three

Investments through financial concerns
(shares, Government stock, fixed term deposits, bonds, etc.)

READERS
ABC %
BEST OF
PERIOD %

25	14
31	30
17	6
17	8
14	9

ABC READERS OWN A HIGHER NUMBER OF CARS AND IN THE TOP GEAR BRACKET*

No. of cars ABC % BEST OF PERIOD %

One	69	66
Two	19	9
Three or more	5	1
Buy more new cars	61	45
Buy more imported cars	8	4

Buy cars of all capacities, but particularly of the highest

Up to 1,200 c.c.	31	36
From 1,200 to 1,800 c.c.	42	31
More than 1,800 c.c.	10	7

Major decision-taking responsibility in the purchase of the company's automotive fleet

31 36

42 31

10 7

10 3

AMONG ABC READERS THE ELECTRONICS AND DATA PROCESSING SECTOR IS OF MAJOR IMPORTANCE*

Hi-fi equipment

Colour TV

Videc

Personal computer (at home)

Decision-taking responsibility in the purchase of the company's data processing equipment

38 28

87 80

22 16

12 5

17 9

* According to a survey conducted in February/March 1985 by CISE, Socioeconomic Researchers within the framework of the Autonomous Community of Madrid.

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SO YOU LIKE IT THERE, J.Z.
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WHAT'S YOUR BUILDING LIKE?
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WELL, IT'S A REAL FAMILY MIX. IT'S GOT BOTH NEW PEOPLE AND PEOPLE WHO REFUSED TO CATE.

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FUTURES AND OPTIONS

World Coffee Prices Soar On Brazil Drought Fears

LONDON — Fears that a long-running drought could perhaps halve Brazil's coffee crop next year have sent coffee bean prices soaring in London and New York in recent days and many analysts feel further price rises are possible. Traders in Brazil, the world's biggest coffee producer, say that the country's 1986-87 coffee harvest could sink to as little as 13 million to 16 million 60-kilo (132-pound) bags, or around half of the figure produced this year, as a result of a spell of hot, dry weather that began in May.

The news has fueled already buoyant sentiment in the key London and New York markets. Figures compiled by the International Coffee Organization in London, the 75-nation cartel that attempts to control world prices, show that the average world price for coffee on the spot market is now around \$1.57 a pound, the highest level since mid-1980.

On the London Commodity Exchange late Monday, the Robusta contract for September delivery traded as high as \$28 (about \$41) per metric ton above Friday's settlement price and \$2,170 above its opening, to \$2,170, before settling back amid later profit-taking.

On the New York Coffee, Sugar and Cocoa Exchange, where coffee prices rose their limit-up on Friday amid hectic trading, coffee for September delivery closed up .30 cent a pound from the previous close, to \$1.920, after being up as much as 2.30 cents.

"I think there is every possibility that prices could hold at this level and possibly even go a little further," said a dealer at a leading London trading firm.

The drought has hit Brazil's prime producing areas, accounting for the bulk of its exports.

Exporters in the Brazilian port of Santos said Brazil, which accounts for nearly a third of world exports, generally needs around 17.5 million bags of good quality coffee to meet domestic and foreign demand, far more than will be available next year.

Reflecting on the current supply shortage, analysts at the London trading firm of E.D. & F. Man said in a report Monday that the coffee market will be in deficit by July 1986, reflecting the need for controls administered by the International Coffee Organization.

The 75 member nations of the ICO agreed in October to limit the amount of coffee supplied to the world market in a bid to hold world prices within a \$1.20-to-\$1.40-a-pound price band.

Under the pact, the amount of coffee made available by the ICO's exporting members is increased or cut in step with pre-arranged price triggers.

But because of shortages, the overall export quota was already been raised by 1 million bags last month, to 57 million bags, and traders expect a similar increase to be triggered by the ICO this week.

The E.D. & F. Man report argues that the current strength in prices means that the ICO's export quotas could be suspended altogether by the end of February as a way of defusing the market and bringing coffee bean prices back within the ICO's target range.

The loss of a major portion of the coffee crop would be a blow to the efforts of the new government of President José Sarney to repay Brazil's foreign debt, estimated at about \$103 billion. Although coffee is not Brazil's major foreign-exchange earner, the crop has an annual export value of some \$3.5 billion, or about 25 percent of this year's estimated trade surplus of \$14 billion.

Currency Rates

Dec. 9									
Currencies		U.S.		D.M.		F.F.		Yen	
U.S. dollar	1.00	1.415	1.125	1.205	1.305	1.505	1.605	120.00	120.00
Canadian dollar	1.00	1.305	1.125	1.205	1.305	1.405	1.505	110.00	110.00
Swiss franc	1.257	2.695	2.205	2.305	2.405	2.505	2.605	120.00	120.00
Mark	1.257	2.695	2.205	2.305	2.405	2.505	2.605	120.00	120.00
British pound	1.405	1.005	1.125	1.205	1.305	1.405	1.505	120.00	120.00
French franc	1.257	2.695	2.205	2.305	2.405	2.505	2.605	120.00	120.00
Italian lira	1.257	2.695	2.205	2.305	2.405	2.505	2.605	120.00	120.00
Spanish peseta	1.257	2.695	2.205	2.305	2.405	2.505	2.605	120.00	120.00
Dutch guilder	1.257	2.695	2.205	2.305	2.405	2.505	2.605	120.00	120.00
Yen	1.257	2.695	2.205	2.305	2.405	2.505	2.605	120.00	120.00
Other	1.257	2.695	2.205	2.305	2.405	2.505	2.605	120.00	120.00
U.S. dollar	1.00	1.415	1.125	1.205	1.305	1.505	1.605	120.00	120.00
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U.S. dollar	1.00	1.415	1.125	1.205	1.305	1.505	1.605	120.00	120.00
Canadian dollar	1.00	1.3							

NYSE Most Actives					
Vol.	High	Low	Last	Chg.	Chg. %
Unicorp	265,000	270	265	+25	+9.2%
ProGlobe	210,000	175	170	+10	+5.8%
Interim	250,000	225	220	+10	+4.5%
Texaco	265,000	315	310	+10	+3.2%
IBM	140,000	145	140	+5	+3.4%
Occidental	74,000	315	310	+5	+1.6%
Exxon	137,000	425	420	+5	+1.2%
AIRL	127,000	415	410	+5	+1.2%
AMR	127,000	415	410	+5	+1.2%
Mobil	127,000	395	390	+5	+1.2%
Sears	127,000	395	390	+5	+1.2%

Dow Jones Averages					
Indus	Open	High	Low	Close	Chg.
Trans	142,000	1304.13	1428.10	1407.02	+19.24
Util	142,000	1302.21	1421.20	1405.78	+0.21
Cons	142,000	991.30	991.19	991.19	+0.03

NYSE Index					
Commercials	High	Low	Close	Chg.	%
Industrials	132.02	131.12	132.02	+0.91	+0.68%
Trans	126.02	125.21	126.02	+0.78	+0.62%
Utilities	61.75	61.51	61.75	+0.51	+0.83%
Finance	120.51	120.30	120.51	+0.25	+0.21%

NYSE Diaries					
Class	Prev.				
1025	205				
1026	205				
1027	205				
1028	205				
1029	205				
1030	205				
1031	205				
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** BUSINESS ROUNDUP

Energy Cooperative To Merge With Svenska

Reuters
STOCKHOLM — Sweden's government-owned Svenska Petroleum AB and Oljekoncernens Forbund, the consumer energy cooperative, will merge, the Swedish news agency TT reported Monday.

Energy Minister Birgitta Dahl said at a news conference that it was in the interests of both the government and consumers that there should be one large Swedish company in the oil market.

Ulf Dahlsten, the government negotiator who brought the two companies together in talks over two years, said the new company, which will be called OK Petroleum AB, would have 21 percent of the domestic market for all oil products and 21 to 22 percent of the gasoline market. OK currently controls about 19 percent of the domestic gasoline market, and Svenska 2.5 to 3 percent.

Both companies had been affected by the shrinking market for oil. OK had losses of 410.5 million kronor (\$53.6 million) after financial income and expense in 1984, compared with 1983 losses of 151.6 million. Svenska Petroleum had losses of 6 million kronor in 1984, compared with losses of 30 million in 1983.

OK's chairman, Leif Lewin, said the cooperative would have losses of about 200 million kronor in 1985, while SP was expected to show a 1985 profit. The new company should have profits of at least 100 million kronor in 1986, he said.

Svenska Petroleum's managing director, Lars Hjorth, who will be managing director of the new company, said the new company would acquire all of Svenska's operations, including its gasoline stations and its 51-percent interest in SP Exploration AB.

It will also take over OK's import, refining and fuel-oil activities, but the 20 local associations that make up the cooperative will continue to run their own gasoline stations. The cooperative is expected to buy gasoline from the new company, Mr. Hjorth said.

OK Petroleum AB will have an annual refining capacity of about 4 million metric tons (4.4 short tons) through its 35.5-percent interest in the Scaniaf refinery at Lysekil on Sweden's west coast and its 22-percent stake in a British Petroleum refinery. OK said last month that it had signed a letter of intent to sell half of its 43-percent interest in Scaniaf to Norsk Hydro A/S.

The new company will also have a 50-percent interest in OK Kracker AB's cracking facility, with annual capacity of 1.2 million metric tons.

Mr. Dahlsten, the negotiator, said the government expected a good return on its investment in the company and there was no question of its activities being subsidized.

Panel Suggests JAL Be Private

Reuters
TOKYO — A transport advisory body recommended on Monday that the government transfer its 34.5-percent stake in Japan Air Lines to the private sector and end JAL's monopoly of regular international services.

They said an ad hoc group of the Council for Transport Policy made the recommendation to Tokio Yumeshi, the transport minister.

The ministry is to take action around April to change Japan's civil aviation policy. Industry sources said a change would pave the way for the private All Nippon Airways and TOA Domestic Airlines to operate regular international services.

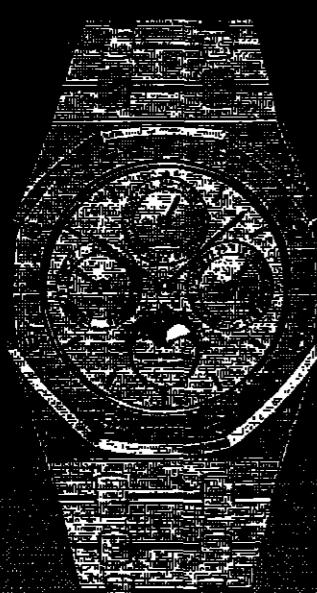
COMPANY NOTES

Deutsche Genossenschaftsbank, the West German central bank for cooperatives, plans to increase its capital by 350 million Deutsche marks (\$138.6 million) after taking over the business last week of troubled Bayerische Raiffeisen-Zentralbank AG, banking sources said.

Elf Aquitaine of France said its subsidiary Elf-Congo had found oil in the Komi I exploration well off the Congo coast.

Exco International PLC said it had sent shareholders a document containing details of the proposed exchange of its holdings in Gartmore Investment Management Ltd. and Fidess BV for British & Commonwealth Shipping Co.'s holding in London Fertilizing Ltd.

General Dynamics Corp. said its board had elected Stanley Pace chairman and chief executive officer effective Dec. 31. He succeeds David S. Lewis, who is retiring.

Royal Oak Perpetual Calendar

SWISS BANK CORPORATION
Swiss Bank Corporation
Schweizerischer Bankverein
Société de Banque Suisse



Swiss Bank Corporation
Schweizerischer Bankverein
Société de Banque Suisse

The key Swiss bank

TWA and Icahn Discussing Revised Merger Agreement

The Associated Press

BONN — The West German and Dutch governments, in an effort to meet Japanese competition, will provide 40 percent of the finance for the development of a megaproject with a capacity of four million bits, the Bonn government said Monday.

It will also take over OK's import, refining and fuel-oil activities, but the 20 local associations that make up the cooperative will continue to run their own gasoline stations.

The cooperative is expected to buy gasoline from the new company, Mr. Hjorth said.

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Mr. Dahlsten, the negotiator, said the government expected a good return on its investment in the company and there was no question of its activities being subsidized.

Now, with both negotiations nearing conclusion, the government has to decide which option it favors.

The Wall Street Journal reported Monday that Sikorsky, a subsidiary of United Technologies Corp., and Fiat expected to announce an

agreement to buy a 29.9-percent stake in Westland for about £30 million (\$44 million) within a few days.

That would run against an outline agreement that Mr. Heseltine has secured with Aerospace of

France, Messerschmitt-Bölkow-

Blohm GmbH of West Germany and Agusta SpA of Italy for them to acquire a minority interest in the W-30 helicopter has brought it to the brink of collapse.

Mr. Heseltine saw the agreement as an opportunity to restructure the European helicopter industry so that it could compete more successfully with the United States, the sources added. Under the agreement, the four governments would commit themselves to buying only European helicopters and would streamline the range of craft produced.

But Westland directors reportedly saw a better chance of long-term

lower the purchase price because the securities probably would trade below their face value.

An announcement from TWA's general counsel, Ulrich Hoffmann, said: "TWA stated today that it is engaged in discussions with Carl Icahn regarding a possible amendment to the terms of their merger agreement."

Mr. Hoffmann declined to elaborate on the announcement. Mr. Icahn's attorney, Dennis Block, asked about the investor's reported financial problems, said, "I think it's improper to comment on stories like that."

Wall Street analysts said the carrier has sustained and is projected to sustain do not justify the price Mr. Icahn has indicated he would pay," said one analyst, who spoke on the condition that he not be identified.

TWA, the fourth-largest U.S. airline, reported a loss of \$13.5 million on revenue of \$1.08 billion in the third quarter ended Sept. 30, and had a loss of \$69.7 million on revenue of \$2.89 billion, down 75 cents, on volume of 1.6 million shares.

U.S. Firm, Fiat To Cooperate on Plant Automation

TURIN — Fiat SpA said Monday that it had agreed on a joint venture with Digital Equipment Corp. to develop computerized manufacturing systems, in a step towards automated production.

Ezio Salce, managing director-designate of the venture, known as Sesam, said at a news conference that the new company would be owned 50-50 by Comau SpA, a Fiat subsidiary specializing in robotics, and Digital Equipment.

European manufacturing companies spent \$4.75 billion in 1985 on factory automation systems of which \$2.15 billion was in areas in which Sesam will specialize, according to company officials.

Digital and Comau are already involved in a project with Renault Automation of France to raise productivity in small plants financed by the European Community's Esprit program.

Former Chairman of Carrian Is Arrested, Freed on Bail

Reuters

HONG KONG — The former chairman of the collapsed Carrian group, George S.G. Tan, who was arrested Saturday along with two other former executives on charges of bribery and conspiracy to defraud, has been freed on bail, court officials said Monday.

Bail was maintained at \$2 million Hong Kong dollars (\$6.7 million), the amount set under two

previous counts of conspiracy to defraud linked to the collapse in 1983 of Carrian, a Hong Kong property and shipping group.

Mr. Tan's chief deputy, Bentley Ho, was released on bail of 2 million dollars as set under previous charges against him. Another former executive, Carrie Woo, had been freed earlier.

Two former executives of Bank Bumiputra are being held in London and Hong Kong and have requested their extradition.

In all, 23 charges have been filed in connection with dealings between Carrian and Bumiputra.

They were arrested in connection with an alleged conspiracy to defraud Bumiputra Malaysia Finance Ltd., the Hong Kong-based unit of Malaysia's Bank Bumiputra Malaysia Berhad, of about 6 billion dollars.

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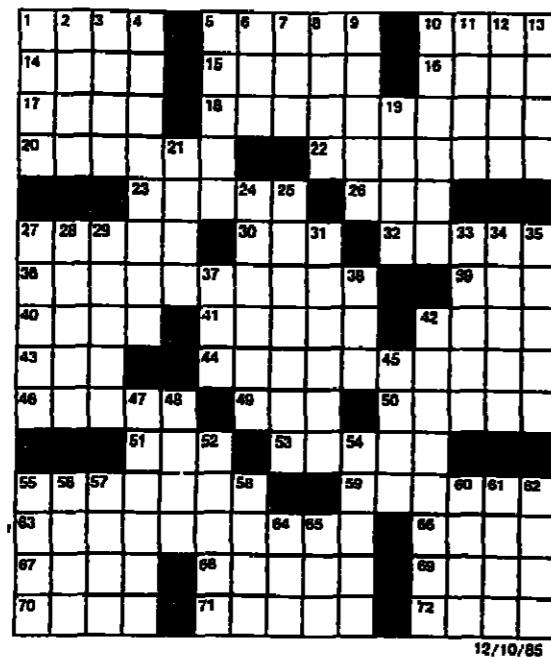
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ACROSS

- 1 Fastener
- 5 Nimble
- 10 Droops
- 14 Opposed
- 15 Turner and
- 16 Pelvic bone:
- 17 King of the
- 18 Edward
- 19 Teach,
- 20 notorious
- 21 pirate
- 22 Wheel rim
- 23 Cereal seeds
- 24 Spinning
- 25 Astronaut
- 26 Evans
- 27 Heath
- 28 Placebo
- 29 Snipe's milleu
- 30 Piratic flag
- 31 Give—whirl
- 32 (try)
- 33 Nickname for
- 34 author
- 35 Wharton
- 36 Express a view
- 37 Design
- 38 Economy org.
- 39 Kidd's men
- 40 time
- 41 The present
- 42 Capuchin
- 43 monkey
- 44 British spy,
- 45 changed in 1780
- 46 Aitch predece-
- 47 sors
- 48 Carmel's cousin

DOWN

- 1 One of a pair
- 2 Shrub yielding
- 3 indigo
- 4 Zen's "classroom"
- 5 Apex
- 6 I wrote
- 7 "Who's Afraid
- 8 of Virginia
- 9 Woolf?"
- 10 Burnt—
- 11 artist's
- 12 pigment
- 13 Winglike parts
- 14 "Golden West"
- 15 person
- 16 Builds a lawn
- 17 55 Cares for
- 18 Bonnet or
- 19 carriage
- 20 Fictional
- 21 Neutral color
- 22 Steer
- 23 Sheer
- 24 Linen
- 25 Reasonable
- 26 Mimic
- 27 Steer
- 28 Lots of
- 29 Epsilon
- 30 Steer
- 31 Hairs
- 32 Sore as hops
- 33 Brand of
- 34 Belle
- 35 Medieval guild
- 36 Ernulf
- 37 Jesse
- 38 James
- 39 F.D.R.
- 40 measure
- 41 Punish
- 42 A Rotentot
- 43 Order of
- 44 business
- 45 Cravings
- 46 Works on
- 47 authors' works
- 48 Signs on
- 49 ranges or
- 50 granges
- 51 Greek hero
- 52 Small shark
- 53 Let's eat
- 54 cake"
- 55 Aperture
- 56 On the Yellow
- 57 Units for Boris
- 58 Becker
- 59 Topic in
- 60 Evans
- 61 Units for Boris
- 62 Becker
- 63 Shrub tree

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DENNIS THE MENACE



"WHY DON'T YA WASH ME LIKE THIS, MOM?"

JUMBLE THAT SCRABBLED WORD GAME

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

CELER



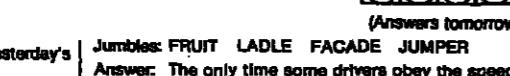
DEEXU



ARMKUP



PRAULB



Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

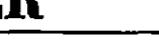
Print answer here: 

(Answers tomorrow)

Yesterday's Jumble: FRUIT LADLE FACADE JUMPER

Answer: The only time some drivers obey the speed limit is when they're this—in a TRAFFIC JAM

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

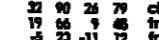
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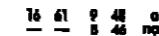
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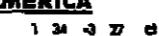
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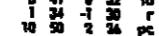
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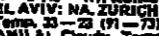
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